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The Journal of SOCIAL, POLITICAL AND ECONOMIC STUDIES

Roger Pearson
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Victims of the Balloon Effect: Drug Trafficking and U.S. Policy in Brazil and the Southern Cone of Latin America

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If for much of the 1980s the Andean countries and Mexico viewed drug-trafficking as basically a U.S. problem, Brazil and the Southern Cone, plagued by a number of political, economic and social problems of their own, were surely not about to toe the U.S. line and declare a "war on drugs."[2] Brazil and the Southern Cone countries saw this as a problem that involved the U.S. in its "war" against Colombian and Mexican *narcotraficantes*. The prevailing opinion at the time was that this region was nothing more than a minor staging area for drugs destined to the U.S. and Europe and a producer of small amounts of marijuana. These governments, in addition to the U.S., did not see any danger of their countries coming under the multifarious threat of drug-trafficking.

Before 1989, the U.S. paid only scant attention to drug-trafficking in Brazil and the Southern Cone. In the early 1970s there were pressures from President Richard Nixon, whose administration was the first to officially declare a war on drugs, for these countries, particularly Brazil, Chile, and Paraguay, to pass anti-drug legislation to counter the growing "heroin threat," which all of them did by 1978. However, in each of these countries the legislation was little more than window dressing – an attempt to appease Washington at a time when the U.S. public grew increasingly alarmed at the high rate of drug (heroin) consumption. There was no political will on the part of these governments to follow through, mainly because they did not perceive a problem. By the mid-1980s, when the anti-drug campaign heated up again, the Reagan and Bush

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[2] The Southern Cone countries consist of Argentina, Chile, Paraguay, and Uruguay.

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administrations focused their attention and resources on the "war" in Mexico and the Andean region. By 1988 there was widespread consensus that drug-trafficking and the violence, corruption and socio-economic costs associated with it was a national security threat to the U.S. and Latin America. However, Brazilian and the Southern Cone governments, despite evidence of increasing levels of trafficking, consumption, and money laundering, continued to neglect this mounting problem.

The U.S. not only neglected to pay attention to the problem in this region, but, in fact, indirectly and unwittingly contributed to pushing the drug trade away from the Andean region and toward Brazil and the Southern Cone.[3] Coupled with this official neglect was the total disregard given to the trade in this region by the academic community. Despite the increasingly glaring deleterious effects of the drug trade on these societies, scholars in these countries, and particularly in the U.S., offered very little by way of in-depth studies of the causes and consequences of the drug trade in the region. Only journalists seem to be moderately interested in the issue. The focus of U.S. policy was to "go to the source," believing that successful interdiction, eradication and arrests of major traffickers would, once and for all, eliminate the scourge of drugs from the Western Hemisphere. In the end, U.S. policy and its flare for the theatrical, as exemplified by President Bush's dramatic speech to the nation in September 1989 and the subsequent Andean Strategy and Drug Summits, in Cartagena, Colombia (1990) and San Antonio, Texas (1992), seem to dictate the course of policy, academic, and to a lesser extent, journalistic interest in drug-trafficking, completely disregarding the growing importance of Brazil and the Southern Cone to drug traffickers.

Political leaders in Brazil and the Southern Cone refused to accept that the tentacles of the drug trade had reached their borders, when, in fact, by 1987 the international press was already reporting on increased trafficking, corruption and violence linked to the drug

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[3] An indication of the degree to which the U.S. paid little attention to the drug trade in Brazil and the Southern Cone is demonstrated by the superficial and inadequate analysis given to Argentina and Brazil in the State Department's annual *International Narcotics Control Reports* from 1989 to 1991. There were no country analyses of Chile or Uruguay until the 1993 report.

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trade in Brazil and Paraguay.[4] These governments seem to have believed that if they ignored the problem it would somehow disappear.

Needless to say, the problem did not disappear, and in fact, these countries in the Southern Cone became increasingly important for drug traffickers seeking new routes, locations for cocaine laboratories, and money laundering centers.[5] The region has served as a natural corridor for cocaine from Bolivia and Colombia destined to northern markets in the U.S. and Europe, and for precursor chemicals moving through the region and into laboratories in Bolivia, Brazil, and Colombia. As the trade through these countries expanded so did the levels of consumption, corruption, and violence.

There were three fundamental reasons why the drug trade in Brazil and the Southern Cone did not receive much attention from political leaders and scholars in the region and the US: (1) the relatively slow introduction of the industry to the region, which most estimate began in 1984, and its discreet and incremental penetration into the economy and society; (2) an insistence on the part of the U.S. that the problem had to be solved at the source and not in transiting countries; and (3) the fact that the civilian, transitional governments of the mid-1980s in these countries (except Chile and Paraguay) were concerned with more pressing matters such as foreign debt, inflation, economic growth, civil-military relations, and political survival. These fragile governments insisted they could ill-afford to spend much time and resources on an issue they believed to be a "gringo problem" that could only be solved by addressing the US's insatiable appetite for narcotics.

This ignorance and neglect of the real and growing dangers of the drug trade's penetration into the region encouraged drug traffickers to expand their operations, particularly in Argentina and Brazil.

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[4] For a review of the literature on drug trafficking in Brazil and the Southern Cone, see Frank O. Mora, "Brazil and the Southern Cone: An Annotated Bibliography," in *Drug Trafficking Research in the Americas*, edited by Bruce Bagley (Boulder: Lynne Rienner Publishers, 1996). Most of the literature between 1986-1992 consists of newspaper articles and exposes, and reports by international organizations.

[5] Scott MacDonald, "The Next Wave of the Latin Drug Trade," *Times of the Americas*, 27 June, 1990: 12.

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The Rise of Drug Trafficking

Since the mid-1980s Brazil and the Southern Cone have played a distinctive and increasingly important role in the drug trade. The region's more traditional role had been that of a transshipment point for small amounts of cocaine produced in the Andean region destined for the U.S. and European markets. However, evidence surfaced in 1989 that the region had, in fact, been used extensively by Colombian and Bolivian drug traffickers since 1984. The spread or shift of drug trafficking operations (cultivation, processing, production, transportation, and money laundering) to the region was due to the "balloon effect."[6] Increased pressure from US-sponsored anti-drug operations in the Andean region during the 1980s forced drug traffickers to shift their operations to safer, more hospitable areas. Brazil and the Southern Cone countries offered just such an environment.[7] This trend also came as a result of traffickers looking away from the saturated U.S. market of the late 1980s and early 1990s toward more lucrative markets in Europe, where cocaine yielded much higher profits.[8] Cocaine labs have been found in northern and western Brazil and northwest Argentina; precursor chemicals are produced and/or transported through Argentina, Brazil, and Paraguay; and Uruguay and Chile, after the 1989 U.S. invasion of Panama, have become major financial centers for laundering drug money. The 1994 report of the UN International Narcotics Control Board (INCB) cited Argentina and Chile, formerly classified as secondary or marginal transit and consumption points, as not only important transit countries but major consumption and money laundering centers.[9]

The region's greater exposure to the drug trade has, in effect, resulted in alarmingly high consumption levels, increased inter-state

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[6]The "balloon effect" refers to when pressure is applied in one area the flow moves to areas in the sphere of least resistance. It is also known as the "hydraulic effect" because it parallels the physical effect of incompressible fluids: if pressure is applied in one area, the fluid will shift toward the area of lower resistance.

[7] Rodolfo Windhausen, "Drugs – The Scourge Spreads. Southern Cone: More than Just a Transit Point," *Times of the Americas*, 10 February 1991: 10.

[8] Eugene Robinson, "Cocaine Operations Shift Southward: Drugs Processed in Bolivia Shipped from Argentina to Europe," *Washington Post*, 6 June 1991: 31A

[9] United Nations International Narcotic Control Program. *International Narcotics Control Board Report, 1994* (New York: United Nations Publications).

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trafficking, more drug-related violence, corruption in high levels of government and military, and ungovernability. The impunity of the drug traffickers and the violence and corruption associated with the drug trade so characteristic of Colombia since the early 1980s, had by 1990 begun to afflict the region, particularly Brazil. One of the most distressing aspects of the drug problem in this region is the growing capacity of these transnationalized criminal organizations to subvert the foundations of governmental authority in countries with fragile democratic institutions – such as in Brazil and Paraguay. The dramatic response of Brazilian Presidents Itamar Franco and Fernando Henrique Cardoso to send the armed forces in October 1994 and January 1996, respectively, to confront Rio de Janeiro's powerful drug syndicates, and the assassination of General Ramon Rosa Rodriguez, director of Paraguay's National Anti-Drug Secretariat (SENAD) in October 1994, by criminal organizations linked to the drug trade in that country, illustrate the power and destabilizing influence of drug-trafficking in the region. The consolidation of democracy is threatened by generalized corruption manifested by narco-trafficking's infiltration and weakening of democratic institutions. In short, as Argentine journalist Mariano Grondona asserts, the region's democracies are increasingly threatened by the "ungovernability of a state of corruption" propagated by the penetrating and destructive nature of the drug trade.[10]

Chile, for many years believed to be immune from the reaches of the drug trade largely because of General Augusto Pinochet's strong authoritarian rule, appears to be changing as consumption levels increase and the northern region of the country is used for the transshipment of drugs, chemicals, and money laundering. As the 1994 report by the Inter-American Commission for the Control of Drug Abuse (CICAD) stated, "not a single country or government today is immune to the effects and repercussion of the production and trafficking of illegal drugs and substances."[11] The repercussions of the drug trade on this region have reached dangerous levels,

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[10] Mario Grondona. *La Corrupcion* (Buenos Aires: Planeta, 1993).

[11] CICAD/OAS, *Proyecto de informe annual de la Comision Interamericana para el control del abuso de drogas* (Washington, DC: Organization of American States, 1994), p. 1.

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making denial on the part of government officials, and the lack of preparedness needed to combat the complex and sundry effects of international drug-trafficking, that more ominous.[12] Recently, Argentine Defense Minister Oscar Camilion denied reports that Argentina had become an important center for drug trafficking and money laundering, stating there was no danger of Argentina "becoming another Colombia."[13] Once again, this neglect and complacency has facilitated and worked in favor of the expansion and spread of drug trafficking activity to the region. Scott McDonald has suggested that since these countries are relatively new to the problems associated with containing drug trafficking, there is likely to be "a learning curve for enforcement agencies ... the problem will probably grow before it is better dealt with later in the decade."[14]

The Eastward Shift

Revolutionary advancements in communication and technology and the integration of global markets has enhanced the ability of transnational actors and industries to shift their operations and markets to areas that offer the lowest opportunity costs. Narcotics is one industry that has benefitted from the structural nature of the international system. The development of drug transport routes throughout the world and the money laundering of drug profits has increased the geographical scope of illicit operations in the 1980s, making it one of the most threatening and difficult transnational challenges of the modern world.[15] Drug syndicates, like any multinational corporations, search for secure and profitable environments where they can establish their operations free from

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[12] It is only recently that awareness of the problem is surfacing. For example, in March 1994 the United States Information Agency (USIA) conducted a poll in Chile that found that 50% of those polled stated that drug addiction was the most serious problem facing Chilean youth. Virtually all believed Chile has a serious problem with illegal drug use (94%). See, USIA, "Drug Use and Trafficking in Chile Dramatize "Spillover" from Bolivia," *Opinion Research Memorandum*, Office of Research, USIA, March 1994.

[13] "Trafico de drogas: 'Argentina no sera una nueva Colombia," *Clarin*, 3 November 1993: 15.

[14]. Scott McDonald, "Southern Cone," in *International Handbook on Drug Control*, edited by Scott McDonald and Bruce Zagaris (Westport: Greenwood Press, 1992), p. 239.

[15] Rensselaer Lee, "Global Reach: The Threat of International Drug Trafficking," *Current History*, vol. 94, no. 592 (May 1995): 207-211.

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constant harassment. Usually, traffickers move to areas where the institutional anti-narcotic enforcement apparatus (legislation, judiciary, police) is weak or easily corrupted.

Drug traffickers shifted their operations from the Andean region east toward Brazil and the Southern Cone in large part because of stepped-up U.S. and Latin American enforcement operations that have driven some growers and dealers to search for cheaper and safer alternatives for cultivation and processing outside the traditional coca-growing regions. Pressure in the Andean region forced drug traffickers, particularly the Medellin and Cali cartels, to shift their supply base to close and more hospitable environments where they could continue doing business until U.S. drug enforcement programs subsided in the chosen area. This is the nature of the balloon effect: pressure is applied in one area (Andean region) pushing air (i.e. drug industry) to areas of less resistance (i.e. Brazil and the Southern Cone).

There were two periods or phases in which anti-drug enforcement pressure was applied in the Andes, resulting in the drug trade being pushed eastward, in greater levels, toward Brazil and the Southern Cone. US-sponsored anti-drug enforcement operations during the 1980s and 1990s unwittingly pushed the drug trade – its operations and consequences – further into the region, penetrating and undermining already fragile and vulnerable political, social, and economic conditions and institutions. The response time of government officials and analysts to the shift is usually several years; thus attempts at containing spill-over are slow and usually late. Evidence has shown that once governments respond, drug traffickers have already consolidated their presence.

Phase One: Tranquilandia and Operation Blast Furnace (1984-1986)

Before President Ronald Reagan declared under National Security Directive No. 221 (8 April 1986) that drug trafficking was a threat to the security of the Americas, the U.S. and Colombia had been fully engaged in the war on drugs since March 1984. The first counternarcotic offensive in the Andes took place in March-April 1984 when Colombian police and U.S. narcotics officials conducted a series of raids on what was described as a cocaine industrial complex in the southern province of Caqueta. At the largest site, a

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cluster called Tranquilandia, police discovered a phenomenal 14 tons of cocaine, about 20% of the estimated exports of the drug from all South American countries in 1983.[16] Tranquilandia apparently was also the administrative center for the Medellin Cartel's operations. This raid, assisted by the satellite capabilities of the National Security Agency, resulted in the destruction of 13 major airstrip-laboratory clusters and the capture of vital maps and documents that weakened Medellin's operations.

This massive operation sparked a cycle of violence. By mid-November 1985, the two officials most responsible for the raid – Justice Minister Rodrigo Lara Bonilla and Colonel Jaime Ramirez Gomez of the narcotics unit of the National Police – had been assassinated, evidently by paid assassins of the Medellin cartel. The Colombian government responded forcefully to this threat, and violence spiralled out of control, weakening the cartel's capacity to do business in Colombia.

During this period, the Peruvian government embarked on a number of US-funded crop substitution, eradication and interdiction programs in the Upper Huallaga Valley. In 1985 USAID sponsored an elaborate program to persuade coca growers to cultivate food and cash crops instead of the more profitable coca. The program offered credit to farmers, maintained roads and highways, and supplied potable water and sanitation facilities to the area. Moreover, eradication efforts also attempted to introduce alternatives to coca farmers. The Peruvian government's Eradication and Control of Coca Leaf Planting (CORAH) program consisted of offering farmers money to destroy hectares of coca, in addition to mobilizing a task force of leaf killers who pulled the illegal coca from the land. This program was protected by armed escorts from a specially trained antinarcotic strike unit, Mobile Rural Patrol (UMOPAR), which also contributed to the destruction of coca fields.[17]

Operation Condor, which began in 1985, was one of the first interdiction campaigns to be launched in Peru. It was a cooperative effort between UMOPAR and DEA agents, and had as its primary

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[16] Rensselaer Lee, *The White Labyrinth: Cocaine and Political Power* (New Brunswick: Transaction, 1989). p. 170-171.

[17] Cynthia McClintock, "The War on Drugs: The Peruvian Case," *Journal of Interamerican Studies and World Affairs*, vol. 30 no. 2-3 (Summer/Fall 1988): 130.

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goal the reduction of prices. The operation, which used helicopters from the U.S., consisted mainly of air raids that targeted cocaine processing laboratories and trafficker's airstrips in the Upper Huallaga. It is believed that coca prices dropped by 50% as a result of Condor.[18] These operations disrupted the production of raw material, forcing prices downward, and contributing to a shift in the source of raw material to the Peruvian and Brazilian Amazon.

Immediately after Reagan's official "war on drugs" pronouncement, U.S. officials initiated planning for Operation Blast Furnace, a joint U.S.-Bolivian military effort from July through November 1986 against cocaine-processing facilities.[19] This was the official start of the militarization of the war on drugs. Blast Furnace swept into the Chapare and dismantled a number of laboratories, destroyed over 15 clandestine airports and seized the largest amount of coca paste ever captured up to that point. The operation succeeded in disrupting the market for coca leaves, thus reducing prices to the producers, contributing to the dismantling of a number of processing centers in Bolivia.[20] The anti-narcotics offensive in the Andes between 1984-1986, along with Reagan's national security directive and the Anti-Drug Abuse Act of 1986, which focused U.S. policy on foreign supply reduction, contributed to the decentralization or balloon effect which began pushing the drug trade toward Brazil and the Southern Cone.

The results of the balloon effect began to manifest themselves in 1987. The flow of drugs through Argentina started to escalate in 1988, as can be estimated from yearly increases in drug seizures.[21] The Argentine government responded very slowly and cautiously to the problem; in fact, the administration of President Raul Alfonsin, faced with a number of political and economic problems, preferred to ignore or reject the existence of drug trafficking in the country. Then, in 1988, the international press began to report on the

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[18] Laura Vasquez, "Peru," in *International Handbook on Drug Control*, edited by Scott MacDonald and Bruce Zagaris (Westport: Greenwood Press, 1992): 215.

[19] Washington Office on Latin America, *Clear and Present Dangers: The US Military and the War on Drugs in the Andes* (Washington, DC: WOLA, 1991).

[20] Lee, *The White Labyrinth*, p. 72.

[21] US State Department, *International Narcotics Control Report, 1990* (Washington, DC: Bureau of International Narcotics Control, 1990).

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expansion of the drug trade in Argentina. The Medellin cartel had established routes through Argentina and assembled "cottage industries" in northwestern Argentina where the coca leaf was refined into crack cocaine.[22]

Brazil immediately became an important transit point for the Medellin cartel – it offered a vast unmonitored terrain, minimal anti-drug enforcement, and an ideal route through which illicit drugs could safely move.[23] Because of pressure in the Andes and price stagnation in the U.S., the Medellin cartel increased the flow of narcotics destined for Europe. Brazil offered a viable distribution center for growing markets in Western Europe because of the country's many air flights to Europe.[24] Additionally, traffickers began using greater amounts of a variety of coca known as *epadu*, which is found in the Brazilian Amazon. Though of lesser alkaloid content, much of the Peruvian and Brazilian Amazon is abundant with *epadu*, providing traffickers with easy and sheltered access to vast amounts of raw material. In 1988 the U.S. government and press began to report and warn of heavy illicit trafficking, drug consumption and drug-related violence in the shanty towns of Brazil's major cities.[25] Finally, money laundering also moved aggressively into Brazil. It became the mechanism by which ties between drug traffickers and the Brazilian gambling mafia broadened. Since 1988 these organizations have used violence and bribery to strengthen their presence and penetration of the *favelas* or shanty towns of Rio de Janeiro.[26]

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[22] William Ratliff, "Linking Drug Users to Their Innocent Victims Abroad," *Christian Science Monitor*, 25 May 1988: 13; James Smith, "Cocaine 'Springboard' Feared: Argentina Makes Its Largest Drug Seizure," *Los Angeles Times*, 15 July 1988: 10; and "Cartel de Medellin traza nuevas rutas," *Nuevo Herald*, 31 August 1988: 4A.

[23] Alan Riding, "Brazil Now a Vital Crossroad for Latin Cocaine Traffickers," *New York Times*, 28 August 1988: 1, 18.

[24] Alan Riding, "Brazil Acting to Halt New Trafficking in Cocaine," *New York Times*, 7 June 1987: 19.

[25] Vittoria Bacchetta, "Brazil: Drug Trafficking Gangs Vie for Control of Rio's Impoverished Favelas," *Latinamerica Press*, 24 September 1987: 3; Tim Golden, "Drug War Hits Brazil, but Who Will Win?" *Miami Herald*, 14 August 1988: 1A, 4A. There is evidence that production of marijuana and precursor chemicals in Brazil also increased significantly during the 1987-1988 period.

[26] William Long, "A Mafia Thrives on Brazil Game," *Los Angeles Times*, 12 July 1988: 1, 11-12.

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Paraguay was the first country in the region to be exposed to the drug trade. In the early 1970s Paraguay became a vital center for the French Connection's heroin operations in the Western Hemisphere.[27] In 1967, August (Andre) Ricord, member of the French Connection, arrived in Paraguay to coordinate the transport of heroin from Marseille to the U.S. via Paraguay. Ricord used Paraguay as a privileged haven and transit for running a lucrative heroin-smuggling business with the help of corrupted high government and military officials. This led to a major confrontation with the U.S.[28]

After some intense pressure from the U.S., the regime of President Alfredo Stroessner arrested Ricord and dismantled French Connection operations in Paraguay. After a 12-year hiatus, allegations again loomed concerning allegations that Paraguayan military and civilian leaders were cohorting with Andean drug traffickers. In 1985, just at the time that drug traffickers were seeking alternative routes and areas to conduct their operations because of stepped-up enforcement operations in the Andes, U.S. government officials accused Paraguay of protecting drug traffickers and condoning the transit of drugs and chemicals through Paraguay.[29] Paraguay's vast Chaco region, a virtually unpatrolled wilderness with over 900 clandestine airstrips, provided an ideal base for planes to land and take off. It is believed that over 50% of the chemicals used to process cocaine in Bolivia came through Paraguay during the late 1980s.[30] The structure of institutionalized corruption and smuggling provided the ideal environment for drug traffickers to conduct part

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[27] Nathan Adams, "The Hunt for Andre," *Reader's Digest* (March 1973): 223-259; "Heroin: Now It's the Latin Connection," *Newsweek*," vol. 79, no. 1 (24 January 1972): 24-26.

[28] Frank O. Mora, "Paraguay International Drug Trafficking," in *Drug Trafficking in the Americas*," edited by Bruce Bagley and William Walker (New Brunswick: Transaction, 1994): 353.

[29] Joel Brinkley, "US Aides Suspect Paraguay Officials of a Narcotics Link," *New York Times*, 3 January 1985: A1, A8; John Goshko, "US Prods Paraguay on Cocaine," *Washington Post*, 4 January 1985: A18; "Paraguay Officials Blamed for Condoning Drug Trade," *Latin American Weekly Report*, 24 March 1988: 1; Roger Cohen, "Paraguay Provides a Haven for Smugglers, *Wall Street Journal*, 23 December 1988: A8.

[30] Jose Luis Simon, "Narcotrafico via Paraguay irrita a Washington," *Sendero*, 15 January 1988. Paraguay is also an important producer of high quality marijuana.

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of their business free of any governmental harassment.[31]

Phase Two: Galan Assassination and the Andean Strategy (1989-1991)

This phase was the most intense period of war on drugs which saw the U.S. government declare an all-out assault on growers and traffickers in the Andes. Meanwhile, the strife between the Colombian government and the Medellin *capos* continued to escalate as journalists, judges and political leaders were summarily assassinated by the cartel, while the Colombian government weakened the syndicate by arresting and extraditing major drug traffickers such as it did with Jose Luis Ochoa and Carlos Lehder in 1987. However, the "war" in Colombia did not begin until after Luis Carlos Galan, a popular presidential candidate and a strong anti-drug trade advocate, was murdered by Pablo Escobar and his henchmen in July 1989, during a campaign rally. President Virgilio Barco declared an all-out war against Escobar and promised not to end the offensive until his capture. Members of the cartel were either killed or surrendered to authorities, but Escobar continued his war, destroying the twelve-story headquarters of the National Security Force in December 1989, bombing hotels and murdering over 400 policemen. The important point here is that Medellin's operations were completely disrupted as Escobar continued on the run until his surrender in June 1991.[32]

The intensity and pressure was heightened when President George Bush, in September 1989, outlined a comprehensive, multifaceted drug control strategy that called for the militarization of the war in the Andes. The strategy consisted of (1) concentrating more on disrupting the activities of trafficking organizations (i.e. seizing processing labs, chemicals and assets), (2) encouraging increased levels of Andean military involvement, and (3) providing for enhanced U.S. military support. A major component of the administration's drug plan was the Andean strategy, which was designed to help the major coca-growing, processing and shipping

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[31] Jose Luis Simon, "Drug Trafficking and Drug Abuse in Paraguay," *Journal of Interamerican Studies and World Affairs*, vol. 34, no. 2 (Fall 1992), pp. 155-200.

[32] Francisco Thoumi, *Political Economy and Illegal Drugs in Colombia* (Boulder: Lynne Rienner Publishers, 1994), p. 350. Escobar later escaped from prison but was killed by security forces on 2 December 1993.

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nations of the Andes to reduce illicit drug activities. The U.S. strategy included enhanced economic, military and law enforcement assistance.[33] United States pressure and assistance, along with a determined effort by the Colombian government to destroy Medellin's challenge to its authority, contributed to the decentralization and dispersion of the drug trade. One analyst opined in early 1991, "we are seeing the democratization and decentralization of the industry, partly because Escobar is no longer powerful enough to impose order, and partly because new routes are needed, and new people are finding ways to get things done."[34] The low-profile Cali cartel began to replace Medellin, decentralizing its operations and establishing multinational links with smaller syndicates in Argentina, Brazil and Paraguay.

Following the February 1990 Cartagena Summit, U.S. officials noted that the Colombians, Peruvians and Bolivians had finally accepted their proposals to escalate repressive activities, including militarizing the battle against coca growers and drug lords. Andean governments reluctantly allowed their militaries a limited role – they feared the consequences to democracy and human rights.[35] In Peru, joint U.S.-Peruvian interdiction and eradication efforts were enhanced in September 1989 with the construction of the Santa Lucia air base, a fortified base built with U.S. financial assistance in the heart of the Upper Huallaga. From the base, DEA agents and their Peruvian counterparts designed and implemented major eradication efforts consisting of manual and herbicidal programs.[36] Growers in the region were forced to moved to other locations as production

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[33] Raphael Perl, "US Andean Drug Policy," in *Drug Trafficking in the Americas*, edited by Bruce M. Bagley and William Walker (New Brunswick: Transaction, 1994), pp. 23-41. The estimated cost of the strategy was US$2.2 billion for fiscal years 1990-1994. For a review of US policy during the 1980s, see, William Walker, "The Foreign Narcotics Policy of the United States Since 1980: An End to the War on Drugs?," *International Journal*, Vol. 39 (Winter 1993-94), pp. 37-65.

[34] Douglas Farah, "Upstart Traffickers Vie with Top Colombian Rings," *Washington Post*, 11 April 1992: 37A.

[35] Bruce M. Bagley, *Myths of Militarization: The Role of the Military in the War on Drugs in the America* (Coral Gables: North-South Center, 1991), 30p.

[36] James Brooke, "US-Peruvian Teams Renew Drive on Coca," *New York Times*, 18 March 1990: A6; David Scott Palmer, "Peru, Drugs and Shining Path, in *Drug Trafficking in the Americas*, edited by Bruce Bagley and William Walker (New Brunswick: Transaction, 1994), pp. 183-184.

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declined.

In Bolivia the government, under intense pressure from the U.S. and its ambassador in La Paz Robert Gelbard, embarked on aggressive but only partially successful eradication and crop substitution programs. The most important US-Bolivian counternarcotics operation, dubbed Operation Safe Haven, was initiated in March 1991 when 640 UMOPAR troops and DEA agents, supported by the air force and navy, swept into the department of Beni to destroy labs and arrest Hugo Rivero Villavicencio, one of Latin America's most wanted drug lords.[37] By 1991 major drug traffickers like Jorge Roca Suarez and Villavicencio had been either killed or arrested and in some cases extradited to the U.S.

Finally, the invasion of Panama in December 1989 to remove General Manuel Antonio Noriega, indicted for drug trafficking in the U.S., disrupted and destroyed the most important financial center for laundering drug trafficking profits. The Medellin and Cali cartels, in addition to a number of smaller drug syndicates, were forced seek alternative money laundering centers. The unregulated financial centers of Brazil and the Southern Cone, considered to have some of the strongest bank secrecy laws, offered the next best option for drug traffickers to launder their money.

Drug traffickers entered Brazil and the Southern Cone with the same intensity with which they were forced to disperse their business. In 1989 Argentine government officials revealed that the increase in drug consumption was directly related to the increase in the trafficking of narcotics through the country. Between 1988-1990 the number of drug seizures increased by 100%. This did not imply successful interdiction efforts by the Argentinian police – they were poorly manned, trained and financed; in fact, it suggested that greater amounts of cocaine were moving through the country.[38] Furthermore, the U.S. State Department's Bureau of International Narcotics Matters asserted that Argentina was becoming "a significant

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[37] Eduardo Gamarra, "US-Bolivia Counternarcotics Efforts During the Paz Zamora Administration: 1989-1992," in *Drug Trafficking in the Americas*, edited by Bruce Bagley and William Walker (New Brunswick: Transaction, 1994), pp. 233-234.

[38] Julio Eneas Grosso, *Counternarcotic Efforts in the Southern Cone -- Argentina* (Newport, RI: US Naval War College, 1990).

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cocaine refining country."[39] Since 1991 the U.S. has suspected that the production of cocaine hydrochloride in clandestine "kitchen" laboratories in Argentina is increasing. This was a direct consequence of strong anti-narcotics operations in nearby Bolivia. President Carlos Menem refused to concede that Argentina was an important transit and money laundering country until the corruption scandal of 1991 involving government officials. One scandal involved the participation of Menem's in-laws, the Yomas, and other high government officials in drug trafficking and money laundering.[40] By 1992 Argentines had become sensitized to the ability of drug traffickers to penetrate their society and the economy. The government was particularly concerned with very high levels of drug abuse, money laundering, and corruption that appeared during the late 1980s and early 1990s.

By 1991 Brazilian authorities were seizing large amounts of cocaine, indicating that the extent of illicit trafficking and refining in Amazonian laboratories had reached fearful levels.[41] In January 1991 it was reported that Brazil had become a paradise for drug traffickers from the Andes, establishing a modern transport, storage, distribution and export networks in Brazil. It is believed that the Cali cartel controls the trafficking of cocaine through Brazil, making "it the second most important staging post for Latin America's cocaine exports to Europe ... turning into a drug paradise."[42]

For example, the Brazilian state of Rondonia became a hotbed of drug trafficking activity, serving as a microcosm of what became a national plague. Rondonia, like the rest of the country, had an ineffectual judicial system, poorly equipped and manned police to

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[39] US State Department, *International Narcotics Control Report, 1989* (Washington, DC: Bureau of International Narcotics Matters, 1989), p. 56.

[40] George Mellan, "Drugs – The Argentine Connection," *Wall Street Journal*, 25 April 1991: 14A; Nathaniel Nash, "A Drug Scandal Embroils Argentina's President," *New York Times*, 7 August 1991: 4A.

[41] Sam Dillon, "Cocaine Seizures Reveals Brazil's Growing Role in Drug Trade," *Miami Herald*, 4 November 1990: 10A. For an in depth look at drug trafficking in Brazil the government's counter-drug activities during this period, see, Roy Ian Kitchener, "The Brazilian Military: Its Role in Counter-Drug Activities" (Monterey, CA: Unpublished Thesis at the Naval Postgraduate School, 1992).

[42] "Paradise for Drug Traffickers: Brazil Now a Major Staging Post for Europe-Bound Cocaine," *Latin American Regional Report: Southern Cone*, 9 January 1992: 3.

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guard its vast and remote border, and inadequate laws to deal with this surging problem. The state witnessed drug-related violence as in the assassination in 1990 of gubernatorial candidate Olavo Pires, and corruption was made evident by the arrest of federal deputies for trafficking and bribery.[43] Rondonia had become a haven for Colombia and Bolivia traffickers fleeing repression, who found in Rondonia "friendly" politicians and a hospitable environment for their activities, as with the case of Bolivian trafficker Yayo Rodriguez who transferred all of his operations to Rondonia.[44] In the process, a number of local entrepreneurs and politicians have joined forces to create what one journalist termed the "Rondonia Cartel."[45]

In 1992 a Brazilian parliamentary commission investigating the drug trade alluded to the negative spill-over effects of anti-narcotic repression in the Andes and stated that "narcotraffic is a very important cause of the increased levels of violence and criminality throughout the country, especially in large urban areas." The report warned of the destruction of the youth and the "narcotization" of Brazil.[46] This was the trend and role of drug trafficking in Brazil since the late 1980s and well into the 1990s as money laundering, corruption, and violence began to threaten the "governability" of Brazil's fragile democracy.

Money laundering activity increased significantly because of inadequate record-keeping and expertise. According to a report by the U.S. Treasury Department, 17% of all bank accounts linked to drug traffickers are in Brazil, accounting for U.S. $20 billion.[47] This combination of money laundering, corruption, high consumption, and violence has destabilized a country already under the strain of severe social and economic difficulties. In short, Brazil's fragile democracy, under assault from criminal organizations that have stretched their

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[43] Julia Michaels, "Brazil's Drug War Extends to Its Congress," *Christian Science Monitor*, 10 September 1991: 5.

[44] James Brooke, "A Brazilian Border State Becomes Cocaine Route," *New York Times*, 20 August 1991: 4A.

[45] Policarpo Junior, "O cartel de Rondonia," *Veja* (July 1991): 3-33.

[46] Parliamentary Investigating Commission on Narcotic and Impunity of Drug Traffickers in Brazil, *Final Report and Conclusions of the Parliamentary Investigating Commission on Narcotics*. (Brasilia, Brazil, 1992).

[47] US State Department, *International Narcotics Control Strategy Report, 1993* (Washington DC: Bureau of International Narcotics Control Matters, 1993).

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bounds of impunity to all sectors of Brazil's polity and economy, fell victim to the short-term success of the Andean Strategy.

In the late 1980s increasing levels of drug seizures indicated to authorities that Chile had become an emerging transshipment point for cocaine produced in Bolivia and Peru. Moreover, after 1991 concern surfaced that because of heavy trafficking, levels of consumption of marijuana and cocaine, particularly in the northern region, was also on the rise. The liberalization or democratization of society and the deregulated structure of Chile's open market economy, in addition to the country's strong bank secrecy laws, have made Chile highly vulnerable to money laundering, consumption and higher levels of illicit trafficking of cocaine and precursor chemicals.[48]

For the U.S. and Chile the most troubling features of the drug trade is the transiting of Peruvian and Bolivian cocaine through Chilean territory and the laundering of drug money in non-financial sectors or industries of the economy. Chile is also a victim of the spill-over effects of anti-drug operations in Bolivia, Colombia and Peru.[49] Drug traffickers found new outlets for cocaine and labs to manufacture precursor chemicals in northern Chile, specifically in the ports of Arica and Iquique. This area has been described as either Bolivia's "cocaine corridor" or a "paradise for drug runners." These new smuggling outlets are leaving behind a wake of crime and addiction in Chile, leading military and police officials to say that drug trafficking has become a serious national security threat.[50] The expansion of terrorism and delinquency has been closely linked to drug trafficking, addiction and money laundering. One report noted that northern Chile is manufacturing cocaine around Arica, where police have arrested over 200 traffickers since early 1992.[51]

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[48] Fernando Bustamante, "Drogas: Chile importa el narcotrafico," *Cono Sur*, vol. 6, no. 3 (May-June 1992): 4-10.

[49] "Signs of Spillover from the North; Intercepts Have Been Rising: Use of Crack Spreading," *Latin American Weekly Report*, 12 March 1992: 2.

[50] Leslie Crawford, "Cocaine Mafia – Iquique," *Financial Times*, 20 July 1991: 7; Nathaniel Nash, "Arica Journal: Cocaine Invades Chile, Scourging the Land Mines," *New York Times*, 23 January 1992: 4A.

[51] Oriana Diaz Cid, "Terrorism, Drug Traffic and Delinquency Threaten Security in Chile," *North-South: Magazine of the Americas*, vol. 2, no. 4 (December-January 1993): 47-49.

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In the late 1980s money laundering emerged as a major concern, particularly in the free trade zone of Iquique where drug money was converted into bearer bonds. Another method commonly used by traffickers to launder drug money in Chile was to trade mussels and other fishery products for cocaine. According to Scott MacDonald, "money laundering in Chile was made relatively easy by the absence of a disclosure requirement on large financial transactions and by the existence of a legal parallel foreign exchange market in which transactions are not recorded."[52]

Despite the overthrow of President Stroessner's 35-year corrupt dictatorship in February 1989 and a strong commitment from President Andres Rodriguez to fight drug trafficking in Paraguay, evidence suggests that that country's government and military officials continue to protect cocaine smuggling. Although institutional mechanisms were created to deal with drugs, such as anti-drug legislation and the establishment of the National Anti-Drug Secretariat (SENAD) in 1991, the U.S. embassy stated that about 1.5 tons of cocaine pass through Paraguay every month.[53] Moreover, Paraguay's deregulated banking system, with its more than 75 financial centers in a country of 4.5 million people, has been severely penetrated by drug money profits.

This suggests, as Senator Carlos Romero Pereira declared, that there is "no control at all" of drug trafficking operations because those who are involved in repressing it have "a clear drug trafficking past" and have continued their involvement in the drug trade.[54] The drug-related violence and corruption that continues to pervade Paraguay has, by most indications, increased, sounding off warnings of the "Colombianization" of Paraguay where the violence, exemplified by the assassination of SENAD director General Ramon Rosa Rodriguez, and corruption is creating an environment of ungovernability. The impunity of drug traffickers has undermined already fragile democratic institutions, threatening to destroy Paraguay's democratic experiment.

Uruguay's principal role in the international drug trade after

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[52] Scott MacDonald, "Southern Cone," in *International Handbook on Drug Control*, edited by Scott MacDonald and Bruce Zagaris (Westport: Greenwood Press, 1992), p. 234.

[53]. "El peligro del narcotrafico en el Paraguay," *Ne-engatu*, 15 June 1995: 12.

[54] Jose Aznarez, "Cocaine, parada y fonda en Paraguay," *Pais*, 22 November 1994: 10.

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1990 is that of a major money laundering center for Colombian and Bolivian drug cartels. Uruguay has one of the most open banking systems in the Western Hemisphere and a government that has always placed great emphasis on tight bank secrecy laws. There are over 75 banks or exchange house in the capital of Montevideo. The combination of these factors, as well as the absence of legal provisions for asset forfeiture and no criminal laws that prohibit money laundering, make Uruguay an attractive spot for *narco-traficantes*.

After the U.S. invasion of Panama in 1989, the Cali cartel diversified its money laundering operations making Uruguay one of their new and safest centers. This issue became a point of friction with the U.S. in 1989 after Operations C-Chase and Polar Cap revealed extensive evidence of Colombian cartels laundering their money in Uruguay's financial institutions. The State Department estimated that approximately U.S. $3 billion had been laundered in Uruguay between 1989-1991.[55]

Combatting the narcotics problem was not seen as critically important in Uruguay, since the perception was that "drugs have not penetrated the country in any alarming manner for several reasons: it is not a producing country, has a limited market and its territory is easily controlled."[56] However, some evidence suggests that Uruguay is becoming an important transshipment point for cocaine destined for Europe. In 1992, a DEA investigation documented that one drug trafficking organization was transporting up to 200kg of cocaine per month from Bolivia through Argentina and Uruguay to the U.S. and Europe.[57] Uruguayan officials have publicly stated there is marginal consumption of drugs in the country, but studies show consumption rising at a rate of 15% a year as a result of illicit trafficking through Uruguay.[58]

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[55] US State Department, *INCR*, 1993.

[56] Milton Carioli Martinez, "Algunas medidas practicas para prevenir los delitos cometidos a traves de los estupefacientes y mejorar la administracion de la justicia en Uruguay," *Revista de Instituto Uruguayo de Derecho Penal*, vol. 11 no. 12 (September 1991), p. 13.

[57] US State Department, *INCR*, 1994.

[58] Andrea Martinez and Roberto Varela, "El consumo de drogas en el Uruguay," mimeo. Foro Juvenil, Montevideo, Uruguay, 1991; Daniel Braquet, "La taxicomania en Uruguay," *Analisis y Desafios*, vol. 2, no. 9 (June 1992).

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US Anti-Narcotics Policy

It was not until 1990 that the U.S. and South American governments began to gradually respond in a more decisive and coherent fashion to the spread of the drug trade in Brazil and the Southern Cone. In 1990 Brazilian President Fernando Collor de Mello started a campaign against the use and trafficking of drugs. This was the first direct engagement by a Brazilian president. Subsequently, President Itamar Franco declared 1993 the "year to fight narcotics." In Paraguay, President Andres Rodriguez made a commitment in 1990-91 to eradicate all marijuana cultivation and increase drug seizures and arrests by 50%, and in 1991 Paraguay established SENAD to serve as the coordinating body in the fight against drugs. In March 1990, Argentina, Brazil, and Uruguay signed the Ixtapa declaration which condemned the crime of drug trafficking in all its forms, recognizing it as a problem and pledging an all-out assault. The declaration called for the strengthening of international cooperation as the best weapon to combat the drug trade.

The U.S. pressured these governments to provide more resources and manpower to battling the problem. Moreover, the U.S. also called on these governments to institutionalize and militarize the "war on drugs" by creating special forces, passing legislation appropriate to combatting drug trafficking and abuse, creating anti-money laundering agreements and legislation, and reforming their judiciaries. The U.S. has sought to increase awareness of the threat by sponsoring seminars on money laundering and drug prevention and treatment, and has provided technical assistance, training and equipment, in addition to U.S. DEA agents, to assist in improving conditions and cooperation for more effective control of illicit narcotics. Although U.S. attention and public rhetoric displays a growing concern for the region, narcotics assistance has been negligible (see Table 1), and in FY 1995 the Clinton administration requested less than U.S. $4 million in counter-narcotics assistance for the region.

As in the Andean region, the U.S. has pushed to militarize the drug war in Brazil and the Southern Cone, but the armed forces in these countries have insisted that their participation will consist strictly of logistical help. General Augusto Pinochet has often and adamantly reminded U.S. and Chilean civilian leaders that the Army

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Table 1
US Counter-Narcotics Assistance*
(in thousands of dollars)

	1991	1992	1993	1994
Argentina	621	360	766	n/a
Brazil	2.5	1.5	1.3	1.3
Chile	90	200	270	n/a
Paraguay	390	340	400	600
Uruguay	0	0	175	n/a

US State Department, *International Narcotics Control Reports*, 1991-1995

* This assistance includes programs for interdiction, training, equipment, and financial support for educational seminars on money laundering and drug prevention and treatment. This aid does not include assistance under the "support democratic participation" program, which provides assistance for programs to enhance judicial reform and other institutional building deemed essential in the fight against drugs.

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would not become entangled in the battle against drug trafficking.[59] In Uruguay, Defense Minister Mariano Brito stated that the government will not accede to U.S. demands that the armed forces be aggressively engaged in the fight.[60] Recently, in a poll taken of 425 Argentina military officers, 76% stated that the "war on drugs" must not be the responsibility of the armed forces.[61] Finally, during the recent Hemispheric Defense Ministerial meeting held in Williamsburg, Virginia (July 1995), despite strong attempts by Defense Secretary William Perry, the region's defense ministers almost unanimously rejected the proposal of increasing the role of the military in counternarcotics operations. This reluctance is due to fears that the military, an institution known for its propensity to disrupt civilian rule, could be corrupted by drug traffickers, thus threatening democratic rule – as occurred in Bolivia in 1980-81.

Since 1991 U.S. concern with drug trafficking in Brazil and the Southern Cone has focused on several key issues. First and foremost, increased illicit trafficking along the Colombian, Peruvian and Brazilian borders. The Federal Bureau of Investigation (FBI) in a 1991 report referred to this area as the "golden cocaine triangle."[62] Brazil's porous and remote 9000-mile border provides an excellent rostrum for trafficking and clandestine laboratories, especially since Brazil has only about 350 anti-drug agents monitoring drug-trafficking activities in the whole country.[63] The Brazilian government has recently appropriated funds to purchase from the U.S. a U.S. $1.4 billion electronic surveillance system (SIVAM) to monitor illegal activity in the Amazon rain forest; it is expected to be fully functional

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[59] Hernan Garcia, "Pinochet defendio participacion militar en decisiones politicas," *Tercera*, 9 November 1993: 6.

[60] Uruguay discrepa con EEUU sobre empleo de FFAA para combatir a narcotraficantes," *Busqueda*, 11 June 1992: 1, 14.

[61] Unpublished poll taken November 1995 by US Air Force Lt. Colonel Antonio Pala, Buenos Aires, Argentina.

[62] Claudio Tognolli, "EUA alertam para o crescimento da conexao brasileira da cocaina," *Folha de Sao Paulo*, 22 September 1991: 1. There is evidence that Brazil has become an important transit area for heroin produced by the Cali Cartel, see, Renato Lombardi, "Brazil entra na rota da heroina produzid pelo Cartel de Cali," *Estado de Sao Paulo*, 20 July 1992: 1.

[63] James Brooke, "A Brazilian Border State Becomes Cocaine Route," *New York Times*, 21 August 1991: 4A.

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by the year 2000.[64] The U.S. has also expressed concern over the recent expansion of northern Chile as a key transshipment point for Bolivian and Peruvian cocaine.

Second, there is mounting evidence of cocaine and chemical manufacturing laboratories throughout the Brazilian Amazon, in northwestern Argentina, and northern Chile, mostly set up by Bolivian *narcotraficantes* aspiring to replace the Colombian middlemen. These laboratories, situated near rivers and in thick tropical jungles, add to the growing evidence that the business of refining and exporting cocaine has spread beyond Colombia to these secondary countries.[65] Third, there is money laundering and the lack of adequate legislation to address that problem. The U.S. has persistently pushed these government to reform their lax banking laws and to cooperate with the U.S.in information-sharing. All of these countries are involved in this activity; however, the case of Uruguay is most worrisome for the U.S.[66] One Uruguayan journalist alleges that more than 50% of the deposits in Uruguayan banks represent money laundering.[67]

Fourth, corruption, violence and its effects on the region's still fragile democracies are important concerns of the U.S. The gang-related violence in Rio de Janeiro (known euphemistically as the "White Republic") and the involvement of high Brazilian government officials in the drug trade has sounded alarms in Washington of the possible "Colombianization" of Brazil.[68] The drug syndicate "Comando Vermelho" (Red Command) controls the *favelas* around Rio. In Paraguay, U.S. Ambassador Jon Glassman suggested that ties

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[64] William Long, "Brazil Gets to Wire Rain Forest," *Los Angeles Times*, 19 October 1995: 1A, 3A.

[65] Joseph Treaster, "Cocaine Manufacturing Is No Longer Just a Colombia Monopoly," *New York Times*, 30 June 1991: 5.

[66] Opening of these economies to market forces and the deregulation of the banking system as a result of international pressures to privatize their economies has facilitated money laundering. For an analysis of the growing threat of money laundering in Argentina and Uruguay, see Beto Casella, "La droga tambien invierte en la Argentina y Uruguay," *Somos*, 7 June 1991: 64-67.

[67] Sam Dillon, "Uruguay Is No. 1 Money Laundering Spot," *Miami Herald*, 22 June 1991: 14a.

[68] Julia Michaels, "Brazil's Drug War Extends to Its Congress," *Christian Science Monitor*, 10 September 1991: 5; Katherine Ellison, "Alleged Drug Ties Rattle Brazil's Already Beleaguered Government, *Miami Herald*, 9 April 1994: 14.

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between high military officials and criminal organizations involved in drug trafficking threaten to undermine democracy. The assassination of General Rosa Rodriguez brings to light the corruption and violence associated with drug trafficking in a small country with vulnerable democratic institutions. Finally, the issue of higher levels of consumption in the region, particularly in Brazil and Chile, is also of concern to the U.S. In one example, according to data from the U.S. Agency for International Development (USAID), drug consumption in Brazil grows by 25% a year.[69]

Beyond public warnings of the dangers of drug trafficking to these societies and some bilateral agreements in the areas of money laundering and information-sharing, the degree of the U.S. engagement is limited. There have been some U.S.-funded programs for training, equipment and drug prevention and treatment, but these have been limited, and as Assistant Secretary for International Narcotics Matters Robert Gelbard recently reported, fewer resources will be available. Much of the assistance will come indirectly by way of "democratic institution-building" programs that will help in strengthening the judiciary and police. It seems that U.S. policy in the future will not go beyond the usual warnings and admonitions.

Conclusions

The massive offensive against the Cali cartel in Colombia from 1994-1996 suggests that a third phase is developing that will further expand and exacerbate the drug problem in Brazil and the Southern Cone. In 1995 alone, the Colombian government arrested 2,885 drug traffickers (a 34% increase from the previous year); six of the seven principal leaders of the Cali cartel were jailed. Over 130,000 pounds of cocaine were seized and about 56% of the total crop was wiped out. In all, over 62,000 acres of coca were destroyed. Finally, the Colombian National Police located and destroyed 573 clandestine drug-producing laboratories and 99 airstrips used by narcotraffickers.

In Bolivia and Peru eradication and interdiction efforts have been expanded and accelerated, mostly as a result of the U.S. threat of decertification. Bolivian President Gonzalo Sanchez de Lozada

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[69] Renato Lombardi, "Cresce 25% ao ano consumo de drogas no pais," *Estado de Sao Paulo*, 28 April 1993: 4

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instituted a "zero option" policy that strictly prohibits the planting of new coca fields. Bolivia destroyed 5000 hectares in 1995 – the most ever in one year. Peruvian President Alberto Fujimori launched an anti-drug strategy on 25 April 1996. The centerpiece of the strategy is a law declaring a state of emergency in coca-producing areas and setting up an anti-drug commission (Contradrogas) to oversee policy. The state of emergency places all airstrips under police control.[70] This new offensive has further decentralized and democratized the drug trade, leading to the emergence of small autonomous but colluding drug syndicates.

It is too early to determine the spill-over effects of this new counternarcotics assault in the Andes. However, if the previous two phases are any indication, the drug trade is sure to extend its reach further into the region. This is not to say that the drug trade shifts its operations only in answer to pressures in the Andes. It also moves or reacts when other areas offer better opportunities for profit. In other words, shifting drug operations is not solely a result of being chased.

Some preliminary evidence, mostly from the State Department's 1996 *International Narcotics Control Report*, suggests that the shift has begun. In Brazil, cocaine cartels have invaded small Amazonian towns, turning their inhabitants into drug addicts and cheap "mules" – couriers of drugs.[71] One of the most serious consequences of better aerial and other interdiction on the Peru-Colombia axis is the branching out of cocaine trafficking through Bolivia to Brazil and Argentina. Heavier traffic has led to higher consumption.[72] According to the U.S. State Department, the downing of cartel aircraft by the Colombian and Peruvian air forces turned Chile into a vital transit point for drugs destined to the U.S., Europe and Asia.[73] Chile's open and prosperous economy has made it quite vulnerable to money laundering and consumption. Giorgio

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[70] "State of Emergency in Coca Zones," *Latin American Weekly Report*, 9 May 1996: 203.

[71] "Narcotrafico invade pueblos amazonios," *Nuevo Herald*, 15 April 1996: 2B.

[72] Aldo Lale-Demoz, "Calculating Coca Productivity," *Latin American Weekly Report*, 23 May 1996: 224.

[73] US State Department, *International Narcotics Control Strategy Report, 1996* (Washington DC: Bureau of International Narcotics Matters, 1996).

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Giacomelli, UN undersecretary for drug control, agrees with many enforcement authorities that Chile has recently become, because of its booming export trade and liberal banking laws, the most attractive spot for drug traffickers to wash their profits.[74]

United States policy since 1989 has consisted of a lot of rhetoric and chastising but little assistance to countries lacking money, equipment and manpower. Except for Paraguay, the U.S. has not decertified, or threatened to do so, any country in the region. All indications are that U.S. policy will change little, particularly in light of budgetary constraints, despite the drug trade's incremental and destructive "invasion" of Brazil and the Southern Cone.

[74] Ronnie Lovler, "Dirty Money Washed in Chile," CNN Interactive: World News, 23 April 1996.

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The Impact of Immigration on U.S. Demographics

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U.S. immigration policy is based upon the Immigration and Nationality Act Amendments of 1965. When this legislation was introduced in Congress thirty-one years ago, its sponsors repeatedly assured the public that the proposed law would not increase annual levels of immigration, would not redirect immigration away from Europe, and would not affect the ethnic composition of the U.S. But that is exactly what the 1965 legislation has done.

Since 1955, nine national surveys have shown an over-whelming majority of U.S. citizens opposed to increasing immigration levels. According to the December 1995 Roper poll, 70% of all Americans want annual immigration levels reduced to 300,000 or less. This is an opinion held by 52% of Hispanics, 73% of blacks, 72% of conservatives, 71% of moderates, 66% of liberals, 72% of Democrats, and 70% of Republicans. In addition, 54% of all Americans want immigration reduced to less than 100,000 a year. However, since enacting the 1965 immigration act, Congress has increased legal immigration from less than 300,000 to nearly a million a year.

More significant than the change in the annual level of immigration has been the change in the source of that immigration. Historically, immigrants to the U.S. have been European. The 1965 Act, while promising to preserve the European character of immigration into the U.S., has effectively ended it. Now 80% to 90% of all legal immigrants come from the Third World. The result of millions of Third World immigrants, with their higher fertility rates, settling in the U.S. has been demographically to alter the U.S. from its historic identity as a "European" country into one where non-Europeans are projected to be the majority population by the year 2060.

The demographic destruction of the U.S. has been swift and dramatic. The transformation, made in constant contravention of popular mandate, has been unprecedented in the history of democratic societies. To better understand this phenomenon and the

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role which post-1965 immigration policy plays in it, the following 15 tables have been created and compiled from the official statistics of the U.S. Bureau of the Census and the U.S. Immigration and Naturalization Service.

As documented in Table 1, "United States Census: 1790-1990", there are proportionately fewer European-Americans today than when the United States was founded. In 1790, European-Americans were 81% of the population of the U.S. By 1990, European-Americans had been reduced to 75% of that population. But as Table 1 shows, the actual demographic reduction has been greater than that. It took 130 years (1790-1920) for European-Americans to increase 8 percentage points – from 81% to 89%. As a result of the 1965 Act and related legislation, Congress was able in only 25 years (1965-1990) to reduce the European-American population by 14 percentage points – from 89% to 75%.

Table 2, "A Breakdown of Census Bureau's White Race Category: 1970-1990", more dramatically depicts this decline by clarifying official definitions. Between 1790 and 1960, "White" was synonymous with "European-American". However, as a result of the demographic impact of post-1965 immigration policy, this was no longer the case. The 1970 Census definition of "White" included white Hispanics, North Africans and Southwest Asians with European-Americans. Since the 1980 Census, a "Non-Spanish White" category has existed, but this definition still lumps European-Americans with North Africans and Southwest Asians. The size of the European-American population in 1980 and 1990, therefore, is smaller than what appears on those censuses as "White" or "Non-Spanish White".

It is estimated that European-Americans will be reduced to less than 50% of the U.S. population possibly by the year 2050, and definitely by 2060. Table 3, "United States Population: 1995-2050", shows the demographic projections made by the Census Bureau.

According to Census estimates for state populations, European-Americans will be a demographic minority in California by the year 2000 and in Texas by 2015. Sometime after 2015, Florida and New York are expected to follow suit.

Remember all these estimates by the Census Bureau are conservative, and include the rapidly growing population of North Africans and Southwest Asians as "Non-Spanish White".

The striking contrast between pre-1965 and post-1965 policy is

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TABLE 1

United States Census: 1790-1990

Census Year	Population	Percent distribution: Non-Spanish White (1)	Non-Spanish Black	Asian (2)	Hispanic (3)	Other (4)
1790(a)	3,929,214	80.7%	19.3%	.....	.....	.....
1800	5,308,483	81.1%	18.9%	.....	.....	.....
1810	7,239,881	81.0%	19.0%	.....	.....	.....
1820	9,638,453	81.6%	18.4%	.....	.....	.....
1830	12,866,020	81.9%	18.1%	.....	.....	.....
1840	17,069,453	83.2%	16.8%	.....	.....	.....
1850	23,191,876	84.3%	15.7%	.....	.....	.....
1860	31,443,321	85.6%	14.1%	0.1% (c)	.....	0.2%
1870	38,558,371	87.1%	12.7%	0.2%	.....	.....
1880	50,155,783	86.5%	13.1%	0.2%	.....	0.2%
1890	62,947,714	87.5%	11.9%	0.2%	.....	0.4%
1900	75,994,575	87.9%	11.6%	0.2%	.....	0.3%
1910	91,972,266	88.5%	10.7%	0.2%	0.4%	0.2%
1920	105,710,620	89.0%	9.9%	0.2%	0.7%	0.2%
1930	122,775,046	88.7%	9.7%	0.2%	1.2% (d)	0.2%
1940	131,669,275	89.8%	9.8%	0.2%	.....	0.2%
1950	150,697,361	89.5%	10.0%	0.2%	.....	0.3%
1960(b)	179,323,175	88.6%	10.5%	0.5%	.....	0.4%
1970	203,211,926	83.3%	10.9%	0.7%	4.5% (e)	0.6%
1980	226,545,805	79.6%	11.5%	1.6% (f)	6.4%	1.0%
1990	248,709,873	75.6% (g)	11.7%	2.9%	9.0%	0.8%

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1) "Non-Spanish White" includes North Africans and Southwest Asians -- i.e., Arabs, Iranians, and Turks.
2) "Asian", which includes Pacific Islanders, was made a separate category in 1980.
3) "Hispanic", which can be of any race, was made a separate category in 1980.
4) "Other" refers principally to American Indians, Eskimos, and Aleuts. In 1990, 52% of "Hispanics" listed their race as "White" and 48% as "Other", whereas, in 1970, 93% of "Hispanics" had identified themselves as "White".
a) Conterminous U.S. This excludes Alaska, Hawaii, and all outlying possessions.
b) This includes the 50 States, but excludes all outlying possessions.
c) The first Asians to be officially listed by the Census were the Chinese in 1860. The Japanese were added in 1870, the Filipinos in 1930 which estimated that population for 1910 and 1920, and the Koreans, first in 1930 which estimated that population for 1910 and 1920, and then since 1970.
d) "Mexicans" were classified as "White" prior to 1930, as "non-White" in 1930 which revised the 1910 and 1920 statistics accordingly, once again as "White" from 1940-1970, and again as "non-White" since 1976.
e) Based on the 1970 Census special "Persons of Spanish Origins" report.
f) The 1980 Census enumerated 3,500,439 Asians which would represent 1.5% of the U.S. population. This figure, however, was an undercount. The revised number for the Asian population is 3,726,440 or 1.6% of the total population.
g) Prior to 1965, the term "White" and "European-American" were synonymous. After 1965, "White" came to include Hispanics, and North Africans and Southwest Asians. While "Non-Spanish White" officially distinguishes White Hispanics from other Whites, it still lumps European-Americans with people of North African and Southwest Asian origins. **In 1980,** there were 894,000 North Africans and Southwest Asians and a total "Non-Spanish White" population of 180,256,366. Therefore, **European-Americans were 79.2%** of the U.S. population. **In 1990,** there were 1,631,647 North Africans and Southwest Asians and a total "Non-Spanish White" population of 188,128,296. **European-Americans were now only 75.0%** of the U.S. population.

SOURCES: All decennial censuses from 1790 to 1990, U.S. Census Bureau. Stanely Lieberson and Mary C. Waters, From Many Strands: Ethnic and Racial Groups in Contemporary America, (New York: Russell Sage Foundation, 1988), page 34, Table 2.1, "Ethnic and Racial Composition of the United States, 1980".

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TABLE 2

A Breakdown of Census Bureau's White Race Category: 1970-1990

CENSUS	1970	1980	1990
White (includes white Hispanics, North Africans, Southwest Asians, European-Americans)	87.5%	83.1%	80.3%
Non-Spanish White (includes North Africans, Southwest Asians and European-Americans)	83.3% (a)	79.6%	75.6%
European-American	83.3%	79.2%	75.0%

a) The 1970 Census did not count how many people were of North African and Southwest Asian origin. Accumulating such statistics only began with the 1980 Census. Since few immigrants from those regions were admitted to the U.S. prior to the 1965 immigration act, their population size in 1970 would have been very small -- possibly less than one-tenth of one percent of all Non-Spanish Whites.

SOURCES: The decennial censuses for 1970, 1980, and 1990, U.S. Census Bureau. Stanley Lieberson and Mary C. Waters, From Many Strands:Ethnic and Racial Groups in Contemporary America (New York: Russell Sage Foundation, 1988), page 34, Table 2.1, "Ethnic and Racial Composition of the United States, 1980".

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TABLE 3

United States Population: 1995-2050
The Census Middle-Series Projections

		Percentage of Total U.S. Population				
Year	Population (in thousands)	Non-Spanish White (1)	Non-Spanish Black	Asian (2)	Hispanic	Other (3)
1995	262,820	73.6	12.0	3.3	10.2	0.7
2000	274,634	71.8	12.2	3.9	11.4	0.7
2005	285,981	69.9	12.4	4.4	12.6	0.8
2010	297,716	68.0	12.6	4.8	13.8	0.8
2020	322,742	64.3	12.9	5.7	16.3	0.8
2030	346,899	60.5	13.1	6.6	18.9	0.8
2040	369,980	56.7	13.3	7.5	21.7	0.9
2050	393,931	52.8	13.6	8.2	24.5	0.9

1) "Non-Spanish White" lumps together people of European origin with people whose origin is North African/Middle Eastern -- i.e., Arab, Persian, Turk, etc.
2) "Asian" represents both Asians and Pacific Islanders.
3) "Other" represents principally American Indians, Eskimos, and Aleuts.

SOURCE: Population Projections of the United States, by Age, Sex, Race, and Hispanic Origin: 1990 to 2050, Current Population Reports, P25-1130, February 1996, U.S. Department of Commerce, Economics and Statistics Administration, Bureau of the Census, page 12, Table I, "Population by Race and Hispanic Origin: 1990 to 2050", and page 13, Table J, "Percent Distribution of the Population by Race and Hispanic Origin: 1990 to 2050".

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TABLE 4

Legal Immigration to the United States: 1820-1994

Intercensal Decade	Percent distribution by Regions					
	Europe(1)	Canada	Latin(2) America	Asia(3)	Africa	Non-Spanish Caribbean(4)
1820-1830	70.1%	1.6%	6.2%	----	----	----
1831-1840	82.7% (a)	2.3%	3.3%	----	----	----
1841-1850	93.2%	2.4%	1.2%	----	----	----
1851-1860	94.4%	2.3%	0.6%	1.6%	----	----
1861-1870	89.2%	6.6%	0.5%	2.8%	----	----
1871-1880	80.8%	13.6%	0.7%	4.4%	----	----
1881-1890	90.3%	7.5%	0.6%	1.3%	----	----
1891-1900	96.4%	0.1%	1.0%	2.0%	----	----
1901-1910	91.6%	2.0%	2.1%	3.7%	0.1%	----
1911-1920	75.3%	12.9%	7.0%	4.3%	0.1%	----
1921-1930(b)	60.0%	22.5%	14.4%	2.7%	0.2%	----
1931-1940	65.8%	20.5%	9.7%	3.0%	0.3%	----
1941-1950	60.0%	16.6%	14.9%	3.1%	0.7%	----
1951-1960	52.7%	15.0%	20.7%	6.1%	0.6%	1.5%
1961-1970(c)	33.8%	12.4%	33.6%	12.9%	0.9%	5.0%
1971-1980	17.8%	3.8%	31.6%	35.3%	1.8%	8.7%
1981-1990	10.3%	2.1%	39.3%	37.6%	2.4%	8.0%
1991	7.4%	0.7%	64.3%	19.8%	1.9%	5.6%
1992	14.5%	1.6%	38.0%	37.4%	2.8%	5.5%
1993	17.5%	1.9%	31.9%	39.8%	3.1%	5.5%
1994 (d)	20.0%	2.0%	31.8%	36.6%	3.3%	5.9%

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1) Europe includes Spain and Portugal.
2) Latin America includes Spanish and Portugese-speaking states.
3) Asia includes Oceania but excludes Australia and New Zealand.
4) Includes the islands plus Belize, Guyana, Suriname, and French Guiana.
a) During the decades 1820-1850, the percentages for immigration by specific regions do not add up to 100%. This is because the country of origin for a substantial number of immigrants was officially listed as "Not Specified". All such immigrants, however, were European. Therefore, the actual percents for European immigration were: **92.2%** in **1820-1830**, **94.4%** in **1831-1840**, and **96.4%** in **1841-1850**.
b) 1921, 1924, and 1929 saw the beginning of anti-European legislation.
c) 1965 Immigration Law was passed after assurances that it would not change the demographic composition of the country, would not change the traditional sources of immigration, would not increase immigration numbers, and would not lower the standards for admissions.
d) Immigration from Europe does not mean ethnic European immigration. Asians, Africans, and Latin Americans have been able to enter Europe and then immigrate to the U.S. under the quota for Europe.

SOURCES: "Immigration to the U.S.: The Unfinished Story" Population Bulletin Vol.41, No.4, November 1986 by Leon F. Bouvier and Robert W. Gardner. Statistical Yearbook of the Immigration and Naturalization Service, 1992, U.S. Goevrnment Printing Office, Washington, D.C. 1993. "Immigrants Admitted by Country or Region of Birth" for fiscal years 1950-1994. Demographic Statistics Branch, Statistics Division, Immigration and Naturalization Service, U.S. Department of Justice.

NOTE: Most of the statistics presented in this chart for the years 1820 to 1985 are taken from Table 1, "Legal Immigration to the U.S., by Region of Last Residence: 1820-1985", pages 8 and 9, Immigration to the U.S.: The Unfinished Story by Leon F. Bouvier and Robert W. Gardner. Dr. Bouvier established the nature and scope of the "Not Specified" category for 1820-1850 and the resulting official undercount of European immigration for those years. In his table, Dr. Bouvier defines "Latin America" to include Mexico, the Caribbean, Central and South America. Changes have, therefore, been made to this table beginning in the decade 1951-1960 to show the percentage of immigration derived from the "Non-Spanish Caribbean" -- islands plus Belize, Guyana, Suriname, and French Guiana. The figure for "Non-Spanish Caribbean" immigration was obtained from "Immigrants Admitted by Country or Region of Birth" for fiscal years 1950-1994. Demographic Statistics Branch, Statistics Division, Immigration and Naturalization Service, U.S. Department of Justice. The "Non-Spanish Caribbean" percentages were then subtracted from Dr. Bouvier's percentages for "Latin America".

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TABLE 5

Immigration to the U.S.: 1820-1967

Years	Total Immigration	Europe(1)	Canada	Latin America and Caribbean	Asia(2)	Africa
1820-30	151,824	106,487	2,486	9,465	36	17
1831-40	599,125	495,681	13,624	19,800	55	54
1841-50	1,713,251	1,597,442	41,723	20,746	141	55
1851-60	2,598,214	2,452,577	59,309	15,411	41,538	210
1861-70	2,314,824	2,065,141	153,878	12,729	64,759	312
1871-80	2,812,191	2,271,925	383,640	20,404	124,160	358
1881-90	5,246,613	4,735,484	393,304	33,663	69,942	857
1891-1900	3,687,564	3,555,352	3,311	35,661	74,862	350
1901-10	8,795,386	8,056,040	179,226	182,662	323,543	7,368
1911-20	5,735,811	4,321,887	742,185	401,486	247,236	8,443
1921-30	4,107,209	2,463,194	924,515	592,170	112,059	6,286
1931-40	528,431	347,566	108,527	51,485	16,595	1,750
1941-50	1,035,039	621,147	171,718	153,810	37,028	7,367
1951-60	2,515,479	1,325,729	377,952	559,281	153,249	14,092
1961-67	2,135,324	866,732	226,619	791,857	215,745	20,193
Total	43,976,285	35,282,384	3,782,017	2,900,630	1,480,948	67,712
Percent of Total		80.2%	8.6%	6.6%	3.4%	0.2%
		88.8%				

The remaining one percent is divided among two categories -- "not specified" and "Oceania". Immigrants in both categories were virtually all of European origin from Europe, Australia, or New Zealand. During these 147 years, Europeans constituted 90% of all immigrants.

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1) Europe includes Spain and Portugal.
2) Asia does not include the Pacific Islands.

SOURCES: Statistical Yearbook of the Immigration and Naturalization Service, 1992, pages 26-29, Table 2, "Immigration By Region and Selected Country of Last Residence, Fiscal Years: 1820-1992", and "Immigrants Admitted by Country or Region of Birth" for fiscal years 1991-1994, Demographic Statistics Branch, Statistics Division, Immigration and Naturalization Service, U.S. Department of Justice.

This table appears on page 281 of Peter Brimelow's Alien Nation: Common Sense About America's Immigration Disaster, Random House, 1995.

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TABLE 6

Immigration to the U.S.: 1968-1994

Years	Total Immigration	Europe(1)	Canada	Latin America and Caribbean	Asia(2)	Africa
1968-70	1,186,353	371,821	60,048	497,009	229,551	19,069
1971-80	4,493,314	800,368	169,939	1,811,801	1,588,178	80,779
1981-90	7,338,062	761,550	156,938	3,457,829	2,738,157	176,893
1991-94	4,509,852	619,101	74,696	2,342,858	1,337,597	112,744
Total	17,527,581	2,552,840	461,621	8,109,497	5,893,483	389,485
Percent of Total		14.6%	2.6%	46.3%	33.6%	2.2%
		17.2%				

The remaining 0.7% is from Australia, New Zealand and the Pacific Islands.

While 17% of all immigrants between 1968 and 1994 came from Europe and Canada, this does not mean they were European immigrants. Unlike the period 1820 to 1967, Africans, Asians, and Latin Americans are now immigrating to Europe and Canada and then reimmigrate to the U.S. under the quota for the European countries and Canada.

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1) Europe includes Spain and Portugal.
2) Asia does not include the Pacific Islands.

SOURCES: Statistical Yearbook of the Immigration and Naturalization Service, 1992, pages 26-29, Table 2, "Immigration By Region and Selected Country of Last Residence, Fiscal Years: 1820-1992", and "Immigrants Admitted by Country or Region of Birth" for fiscal years 1991-1994, Demographic Statistics Branch, Statistics Division, Immigration and Naturalization Service, U.S. Department of Justice.

A version of this table appears on page 283 of Peter Brimelow's Alien Nation: Common Sense About America's Immigration Disaster, Random House, 1995.

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TABLE 7

Percentage of Total Legal Immigration to the U.S. by Selected Countries: 1951-1994

	Decade Average							
Country	1951-60	1961-70	1971-80	1981-90	1991	1992	1993	1994
Germany	13.7%	6.0%	1.5%	0.9%	0.4%	1.0%	0.8%	0.9%
Ireland	2.6%	1.3%	0.3%	0.4%	0.3%	1.3%	1.5%	2.1%
Italy	7.5%	6.2%	2.9%	0.4%	0.1%	0.3%	0.3%	0.3%
Poland	5.1%	2.2%	1.0%	1.3%	1.1%	2.6%	3.1%	3.5%
U.K.	8.3%	6.9%	2.7%	1.9%	0.8%	2.1%	2.1%	2.0%
China	1.3%	2.9%	4.5%	3.7%	1.8%	4.0%	7.3%	6.7%
Hong Kong	0.1%	0.8%	1.0%	0.9%	0.6%	1.1%	1.0%	1.0%
Taiwan	----	----	----	1.6%	0.7%	1.7%	1.6%	1.2%
India	0.1%	0.9%	4.0%	3.6%	2.5%	3.8%	4.4%	4.3%
Korea	0.3%	1.1%	6.1%	4.6%	1.5%	2.0%	2.0%	2.0%
Philippines	0.7%	3.1%	8.0%	6.8%	3.5%	6.3%	7.0%	6.7%
Vietnam	0.01%	0.1%	4.1%	5.5%	3.0%	8.0%	6.6%	5.1%
Colombia	0.7%	2.1%	1.7%	1.7%	1.1%	1.4%	1.4%	1.3%
Cuba	3.1%	7.7%	6.2%	2.2%	0.6%	1.2%	1.5%	1.8%
D. R. (1)	0.4%	2.8%	3.3%	3.4%	2.3%	4.3%	5.0%	6.4%
El Sal. (2)	0.2%	0.5%	0.7%	2.9%	2.6%	2.7%	3.0%	2.2%
Mexico	12.7%	13.3%	14.2%	22.5%	52.0%	22.0%	14.0%	13.8%
Haiti	0.2%	1.1%	1.3%	1.9%	2.6%	1.1%	1.1%	1.7%
Jamaica	0.3%	2.1%	3.2%	2.9%	1.3%	1.9%	1.9%	1.8%

1) D. R. represents Dominican Republic.
2) El Sal. represents El Salvador.

SOURCES: "Immigrants Admitted by Country or Region of Birth", for fiscal years 1951-1994, Demographic Statistics Branch, Statistics Division, Immigration and Naturalization Service, U.S. Department of Justice.

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TABLE 8

Percentage of Selected Ethnic Groups to Legal Immigration: 1989-1994

Ethnic Origin	Census 1990	Immigration Admissions by Country 1989	1990	1991	1992	1993	1994
European							
German(1)	23.7%	0.7%	0.5%	0.4%	1.1%	0.9%	0.9%
British(2)	18.4%	1.3%	1.0%	0.8%	2.1%	2.1%	2.0%
Irish	15.6%	0.6%	0.7%	0.3%	1.3%	1.5%	2.1%
Italian	5.9%	0.3%	0.2%	0.1%	0.3%	0.3%	0.3%
Polish	3.8%	1.4%	1.3%	1.1%	2.6%	3.1%	3.5%
Asian							
Chinese(3)	0.7%	5.1%	3.7%	3.1%	6.8%	9.9%	8.9%
Filipino	0.6%	5.2%	4.1%	3.5%	6.3%	7.0%	6.7%
Asian Indian	0.3%	2.9%	2.0%	2.5%	3.8%	4.4%	4.3%
Korean	0.3%	3.1%	2.1%	1.5%	2.0%	2.0%	2.0%
Vietnamese	0.3%	3.5%	3.2%	3.0%	8.0%	6.6%	5.1%
Hispanic							
Mexican	5.4%	37.1%	44.2%	52.0%	22.0%	14.0%	13.8%
Cuban	0.4%	0.9%	0.7%	0.6%	1.2%	1.5%	1.6%
Colombian	0.2%	1.4%	1.6%	1.1%	1.4%	1.4%	1.3%
Dominican	0.2%	2.4%	2.7%	2.3%	4.3%	5.0%	6.4%
Salvadoran	0.2%	5.3%	5.2%	2.6%	2.7%	3.0%	2.2%

1) "German" includes Germans from Germany and Austria. "Immigration Admissions" is based on the combined number for both of those countries.
2) British is the total of all English, Scotch-Irish, Scottish, and Welsh. "Immigration Admissions" is for the United Kingdom.
3) "Immigration Admissions" for the Chinese is based on the combined number for China, Hong Kong, and Taiwan.

SOURCES: 1990 Census, U.S. Census Bureau, and "Immigrants Admitted by Country or Region of Birth", for fiscal years 1989-1994, Demographic Statistics Branch, Statistics Division, Immigration and Naturalization Service, U.S. Department of Justice.

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TABLE 9

IRCA Legalization: 1989-1994

YEAR	NUMBER
1989	478,814
1990	880,372
1991	1,123,162
1992	163,342
1993	24,278
1994	6,022

IRCA Legalization By Regional Percentage

	Europe(1)	Latin America(2)	Asia(3)	Africa	Non-Spanish Caribbean(4)	Other(5)
1989	1.9%	87.5%	6.6%	1.4%	2.1%	0.5%
1990	1.7%	89.0%	4.2%	1.9%	2.8%	0.4%
1991	0.7%	88.8%	4.8%	1.2%	4.3%	0.2%
1992	1.0%	84.4%	5.5%	1.4%	7.5%	0.2%
1993	1.4%	87.4%	4.5%	1.6%	4.8%	0.3%
1994	1.6%	87.3%	4.7%	1.7%	4.4%	0.3%

1) Europe includes Spain and Portugal. Immigration from Europe does not mean European immigration. Asians, Africans, and Latin Americans have immigrated to the U.S. under the quota from Europe.
2) Latin America includes Spanish and Portugese-speaking states.
3) Asia includes Oceania but excludes Australia and New Zealand.
4) Non-Spanish Caribbean includes the islands plus Belize, Guyana, Suriname, and French Guiana.
5). Other includes Australia, New Zealand, Canada, Greenland, the United States, and "unknown".

SOURCES: "Immigrants Admitted by Country of Birth and Major Category of Admission": fiscal years 1989-1994, Demographic Statistics Branch, Statistics Division, Immigration and Naturalization Service, U.S. Department of Justice.

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TABLE 10

Total Immigrants for Top Ten Countries of Birth: 1989-1994

Fiscal Year 1989

Country Of Birth	Total	Non-IRCA	IRCA Legalization
1.) Mexico	37.1%	10.9%	70.7%
2.) El Salvador	5.3%	2.2%	9.3%
3.) Philippines	5.2%	8.1%	1.5%
4.) Vietnam	3.5%	6.1%	0.03%
5.) Korea	3.1%	5.3%	0.4%
6.) China, Mainland	3.0%	4.5%	1.0%
7.) India	2.9%	4.7%	0.6%
8.) Dominican Republic	2.4%	4.2%	0.2%
9.) Jamaica	2.2%	3.6%	0.5%
10.) Iran	1.9%	2.8%	0.9%

Fiscal Year 1990

Country Of Birth	Total	Non-IRCA	IRCA Legalization
1) Mexico	44.2%	8.6%	70.7%
2) El Salvador	5.2%	1.6%	7.9%
3) Philippines	4.1%	8.4%	1.0%
4) Vietnam	3.2%	7.4%	0.01%
5) Dominican Republic	2.7%	4.9%	1.2%
6) Guatemala	2.1%	0.8%	3.1%
7) Korea	2.1%	4.5%	0.3%
8) China, Mainland	2.1%	4.4%	0.3%
9) India	2.0%	4.4%	0.2%
10) Soviet Union	1.7%	3.9%	0.02%

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Fiscal Year 1991

Country Of Birth	Total	Non-IRCA	IRCA Legalization
1.) Mexico	52.0%	7.5%	79.5%
2.) Philippines	3.5%	7.9%	0.7%
3.) Soviet Union	3.1%	8.1%	0.01%
4.) Vietnam	3.0%	7.9%	0.003%
5.) Haiti	2.6%	1.8%	3.1%
6.) El Salvador	2.6%	2.1%	2.9%
7.) India	2.5%	4.4%	1.2%
8.) Dominican Republic	2.3%	4.3%	1.0%
9.) China, Mainland	1.8%	4.5%	0.1%
10.) Korea	1.5%	3.1%	0.4%

Fiscal Year 1992

Country Of Birth	Total	Non-IRCA	IRCA Legalization
1) Mexico	22.0%	11.3%	75.0%
2) Vietnam	8.0%	9.6%	0.004%
3) Philippines	6.3%	7.3%	1.1%
4) former Soviet Union	4.5%	5.4%	0.01%
5) Dominican Republic	4.3%	5.0%	0.7%
6) China, Mainland	4.0%	4.8%	0.1%
7) India	3.8%	4.3%	1.3%
8) El Salvador	2.7%	2.6%	3.1%
9) Poland	2.6%	3.1%	0.4%
10) United Kingdom	2.1%	2.4%	0.1%

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Fiscal Year 1993

Country Of Birth	Total	Non-IRCA	IRCA Legalization
1) Mexico	14.0%	12.4%	72.2%
2) China, Mainland	7.3%	7.4%	0.1%
3) Philippines	7.0%	7.2%	1.1%
4) Vietnam	6.6%	6.8%	0.004%
5) former Soviet Union	6.5%	6.7%	0.01%
6) Dominican Republic	5.0%	5.1%	2.2%
7) India	4.4%	4.5%	0.4%
8) Poland	3.1%	3.2%	0.5%
9) El Salvador	3.0%	2.9%	5.4%
10) United Kingdom	2.1%	2.1%	0.3%

Fiscal Year 1994

Country Of Birth	Total	Non-IRCA	IRCA Legalization
1) Mexico	13.8%	13.4%	73.1%
2 former Soviet Union	7.9%	7.9%	0.05%
3) China, Mainland	6.7%	6.8%	0.2%
4) Philippines	6.7%	6.7%	0.6%
5) Dominican Republic	6.4%	6.4%	2.4%
6) Vietnam	5.1%	5.2%	0.02%
7) India	4.3%	4.4%	0.8%
8) Poland	3.5%	3.5%	0.5%
9) El Salvador	2.2%	2.2%	4.8%
10) United Kingdom	2.0%	2.0%	0.3%

SOURCES: "Immigrants Admitted by Country of Birth and Major Category of Admission": fiscal years 1989-1994, Demographic Statistics Branch, Statistics Division, Immigration and Naturalization Service, U.S. Department of Justice.

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highlighted by Table 5, "Immigration to the U.S.: 1820-1967", and Table 6, "Immigration to the U.S.: 1968-1994". Between 1820 and 1967, Europeans immigrated into the U.S. from Europe, Canada, and Australia, and accounted for 90% of all immigration – 40 million out of a total of 44 million. From 1968 (the year the 1965 Act was implemented) to 1994 the combined number admitted from Europe, Canada, and Australia had been reduced to approximately 17% – 3 million out of 18 million.

The drop in European admissions, however, is more pronounced than Tables 4, 5, and 6 show. Unlike immigration during the first 147 years, post-1967 immigration from Europe, Canada, and Australia no longer amounted to European immigration: since 1967, Africans, Asians, and Latin Americans have been able to immigrate to those lands and then remigrate to the U.S. under the legal quotas for Europe, Canada, and Australia.

The effect of post-1965 immigration policy on individual countries can be seen in Table 7, "Percentage of Total Legal Immigration to the U.S. by Selected Countries: 1951-1994". The traditional sources of immigration were effectively closed. Admissions from Germany and the United Kingdom, for instance, fell from 14% to 1% and from 8% to 2% respectively. Due to the post-1965 phenomenon of Third World immigration to the U.S. via Europe, this reduced level of admissions from Germany and the United Kingdom no longer meant that these immigrants were ethnically European. At the same time, direct immigration from the Third World increased exponentially. For example, admissions from the Dominican Republic went from 0.4% to 6%, India from 0.1% to 4%, and Vietnam from 0.01% to 5%.

As is shown in Table 8, "Percentage of Selected Ethnic Groups to Legal Immigration: 1989-1994", post-1965 immigration policy has created an inverse relationship between the demographic size of an ethnic group and the percentage of immigration admissions it enjoys. For example, in 1994, Vietnamese, Filipinos, Chinese, and Mexicans represented 0.3%, 0.6%, 0.7% and 5% of the U.S. population, respectively. Yet, Vietnamese, Filipinos, Chinese, and Mexicans were 5%, 7%, 9%, and 14%, respectively, of legal immigration. Asians are 3% of the U.S. population, but accounted for 37% of legal immigration. Hispanics, 9% of the U.S. population, represented another 32%.

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Tables 4-8, however, document only the impact of legal immigration from the Third World. The scale of illegal immigration is currently estimated by the Immigration and Naturalization Service to be an additional 300,000 to 500,000 annually. This number refers to those illegal aliens who each year permanently settle in the U.S. According to the Census Bureau, a total of 5 million illegal aliens have already settled permanently in the U.S.. As in legal immigration, most illegal immigration comes from the Third World.

This fact is established in Table 9, "IRCA Legalization: 1989-1994". To be eligible for legalization under The Immigration Reform and Control Act (IRCA) of 1986, illegal aliens had to have been residing in the U.S. since January 1, 1982. The first year for IRCA legalizations was 1989. Of the 2,675,990 illegal aliens amnestied between 1989 and 1994, 98% to 99% came from the Third World – principally Asia and Latin America. IRCA, therefore, rewards the very countries which already monopolize legal immigration.

Table 10, "Total Immigration for Top Ten Countries of Birth: 1989-1994", shows that the primary beneficiary of IRCA has been Mexico. Between 1989 and 1994, Mexicans represented between 71% and 80% of all amnestied illegal aliens. At the same time, with the exception of 1991, Mexico had the highest rate of non-IRCA admissions of any country, accounting for 8% to 13% of all legal immigration.

By expanding on Table 9 and offering a comparison to Table 10, Table 11, "Total Immigration for Top Ten European Countries of Birth: 1989-1994", is able to demonstrate how truly insignificant IRCA was for European immigrants. Poland, with a population of 37 million, had the most amnesties of any European country with 0.2% to 1.1% of the yearly IRCA total. Compare this to El Salvador on Table 10. With a population of only 5 million, El Salvador had between 3% to 9% of the amnesties. This is the highest IRCA rate after Mexico. In other words, Europeans, who are discriminated against by U.S. immigration policy, nevertheless abide by the law, while statistically immigrants from the Third World, although favored by U.S. immigration policy, flagrantly violate that law.

Table 12, "Percentage of Selected Ethnic Groups to IRCA Legalizations: 1989-1994", shows how IRCA rewarded Third World communities in the U.S. German-Americans and Irish-Americans are 24% and 16% of the U.S. population respectively. Yet, the former

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TABLE 11

Total Immigration for Top Ten European Countries of Birth: 1989-1994

Fiscal Year 1989

Country Of Birth	Total	Non-IRCA	IRCA Legalization
1.) Poland	1.4%	1.6%	1.1%
2.) U.K.	1.3%	2.1%	0.3%
3.) Soviet Union	1.0%	1.8%	0.02%
4.) West Germany	0.6%	1.1%	0.04%
5.) Ireland	0.6%	1.1%	0.04%
6.) Italy	0.3%	0.4%	0.06%
7.) Greece	0.2%	0.4%	0.07%
8.) France	0.2%	0.4%	0.04%
9.) Hungary	0.1%	0.2%	0.03%
10.) Netherlands	0.1%	0.2%	0.02%

Fiscal Year 1990

Country Of Birth	Total	Non-IRCA	IRCA Legalization
1) Soviet Union	1.7%	3.9%	0.02%
2) Poland	1.3%	2.0%	0.8%
3) U.K.	1.0%	2.1%	0.2%
4) Ireland	0.7%	1.5%	0.08%
5) West Germany	0.5%	1.0%	0.06%
6) Romania	0.3%	0.7%	0.009%
7) Portugal	0.3%	0.5%	0.08%
8) Italy	0.2%	0.4%	0.07%
9) France	0.2%	0.4%	0.04%
10) Greece	0.2%	0.3%	0.08%

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Fiscal Year 1991

Country Of Birth	Total	Non-IRCA	IRCA Legalization
1) Soviet Union	3.1%	8.1%	0.01%
2) Poland	1.1%	2.4%	0.2%
3) U.K.	0.8%	1.8%	0.1%
4) Romania	0.4%	1.1%	0.002%
5) Germany	0.4%	0.9%	0.02%
6) Ireland	0.3%	0.6%	0.03%
7) Portugal	0.2%	0.4%	0.1%
8) Yugoslavia	0.1%	0.3%	0.05%
9) Italy	0.1%	0.3%	0.03%
10) Greece	0.1%	0.2%	0.03%

Fiscal Year 1992

Country Of Birth	Total	Non-IRCA	IRCA Legalization
1) former Soviet Union	4.5%	5.4%	0.01%
2) Poland	2.6%	3.1%	0.4%
3) U.K.	2.1%	2.4%	0.1%
4) Ireland	1.3%	1.5%	0.04%
5) Germany	1.0%	1.2%	0.04%
6) Romania	0.7%	0.8%	0.005%
7) France	0.3%	0.4%	0.03%
8) Portugal	0.3%	0.3%	0.1%
9) former Yugoslavia	0.3%	0.3%	0.06%
10) Italy	0.3%	0.3%	0.03%

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Fiscal Year 1993

Country Of Birth	Total	Non-IRCA	IRCA Legalization
1) former Soviet Union	6.5%	6.7%	0.01%
2) Poland	3.1%	3.2%	0.5%
3) U.K.	2.1%	2.1%	0.3%
4) Ireland	1.5%	1.5%	0.06%
5) Germany	0.8%	0.8%	0.05%
6) Romania	0.6%	0.6%	0.004%
7) France	0.3%	0.3%	0.03%
8) former Yugoslavia	0.3%	0.3%	0.1%
9) Italy	0.3%	0.3%	0.06%
10) Portugal	0.2%	0.2%	0.07%

Fiscal Year 1994

Country Of Birth	Total	Non-IRCA	IRCA Legalization
1) former Soviet Union	7.9%	7.9%	0.05%
2) Poland	3.5%	3.5%	0.5%
3) Ireland	2.1%	2.2%	0.08%
4) U.K.	2.0%	2.0%	0.3%
5) Germany	0.9%	0.8%	0.07%
6) Romania	0.4%	0.4%	------
7) former Yugoslavia	0.4%	0.4%	0.08%
8) France	0.3%	0.3%	0.03%
9) Italy	0.3%	0.3%	0.05%
10) Portugal	0.3%	0.3%	0.1%

SOURCES: "Immigrants Admitted by Country of Birth and Major Category of Admission": fiscal years 1989-1994, Demographic Statistics Branch, Statistics Division, Immigration and Naturalization Service, U.S. Department of Justice.

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TABLE 12

Percentage of Selected Ethnic Groups to IRCA Legalizations: 1989-1994

Ethnic Origin	Census 1990	IRCA Legalizations 1989	1990	1991	1992	1993	1994
European							
German(1)	23.7%	0.05%	0.07%	0.03%	0.04%	0.05%	0.07%
British(2)	18.4%	0.3%	0.2%	0.1%	0.1%	0.3%	0.3%
Irish	15.6%	0.04%	0.08%	0.03%	0.04%	0.06%	0.08%
Italian	5.9%	0.06%	0.07%	0.03%	0.03%	0.06%	0.05%
Polish	3.8%	1.1%	0.8%	0.2%	0.4%	0.5%	0.5%
Asian							
Chinese(3)	0.7%	1.5%	0.6%	0.2%	0.2%	0.2%	0.3%
Filipino	0.6%	1.5%	1.0%	0.7%	1.1%	1.1%	0.6%
Asian Indian	0.3%	0.6%	0.2%	1.2%	1.3%	0.4%	0.8%
Korean	0.3%	0.4%	0.3%	0.4%	0.2%	0.3%	0.4%
Iranian	0.1%	0.9%	0.8%	0.1%	0.3%	0.6%	0.6%
Pakistani	0.04%	0.4%	0.2%	1.1%	0.8%	0.4%	0.8%
Hispanic							
Mexican	5.4%	70.7%	70.7%	79.5%	75.0%	72.2%	73.1%
Colombian	0.2%	1.0%	1.6%	0.9%	0.8%	1.3%	0.8%
Dominican	0.2%	0.2%	1.2%	1.0%	0.7%	2.2%	2.4%
Salvadoran	0.2%	9.3%	7.9%	2.9%	3.1%	5.4%	4.8%
Non-Spanish Caribbean							
Jamaican	0.2%	0.5%	0.7%	0.5%	1.3%	1.1%	0.9%
Haitian	0.1%	0.8%	1.0%	3.1%	5.3%	2.0%	2.2%

1) "German" includes Germans from Germany and Austria. "Immigration Admissions" is based on the combined number for both of those countries.
2) British is the total of all English, Scotch-Irish, Scottish, and Welsh. "Immigration Admissions" is for the United Kingdom.
3) "Immigration Admissions" for the Chinese is based on the combined number for China, Hong Kong, and Taiwan.

SOURCES: 1990 Census, U.S. Census Bureau, and "Immigrants Admitted by Country of Birth and Major Category of Admission", for fiscal years 1989-1994, Demographic Statistics Branch, Statistics Division, Immigration and Naturalization Service, U.S. Department of Justice.

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TABLE 13

Percentage of Hispanics and Asians to Total U.S. Population: 1790-1990

Census Year	Hispanic	Chinese	Japanese	Filipino	Korean	Asian Indian
1790(a)	------	------	------	------	------	------
1800	------	------	------	------	------	------
1810	------	------	------	------	------	------
1820	------	------	------	------	------	------
1830	------	------	------	------	------	------
1840	------	------	------	------	------	------
1850	------	------	------	------	------	------
1860	------	0.1%	------	------	------	------
1870	------	0.2%	0.0001%	------	------	------
1880	------	0.2%	0.0003%	------	------	------
1890	------	0.2%	0.003%	------	------	------
1900	------	0.1%	0.03%	------	------	------
1910	0.4%	0.1%	0.08%	0.0002%	0.0005%	0.003% (c)
1920	0.7%	0.1%	0.1%	0.001%	0.0009%	0.003%
1930	1.2% (d)	0.1%	0.1%	0.04%	0.001%	0.002%
1940	------	0.1%	0.1%	0.03%	N.A.	N.A.
1950	------	0.1%	0.1%	0.04%	N.A.	N.A.
1960(b)	------	0.1%	0.3%	0.1%	N.A.	N.A.
1970	4.5%	0.2%	0.3%	0.2%	0.03%	N.A.
1980(e)	6.4%	0.4%	0.3%	0.3%	0.2%	0.2%
1990	9.0%	0.7%	0.3%	0.6%	0.3%	0.3%

a) Conterminous U.S. This excludes Alaska, Hawaii, and all outlying possessions.
b) This includes the 50 States, but excludes all outlying possessions.
c) Asian Indians were identified as "Hindu".
d) "Mexicans" classified as White prior to 1930, as non-White in 1930 which revised the 1910 and 1920 statistics accordingly, once again as White between 1940-1970 and again as non-White since 1976.
e) In 1980, two new categories were added -- "Hispanic" and "Asian and Pacific Islander"

SOURCES: All decennial censuses from 1790 to 1990. "Census Bureau Releases 1990 Census Counts on Specific Racial Groups", CB91-215, U.S. Department of Commerce News, Economics and Statistics Administration, Bureau of the Census, Wednesday, June 12, 1991, pages 3 and 4, Table 1 "Race and Hispanic Origin for the United States: 1990 and 1980", Table 2, "Other Asian or Pacific Islander Persons by Group: 1990 and 1980".

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TABLE 14

Percentage of Other Asian Groups to Total U.S. Population: 1790-1990

Census Year	Cambodian	Hmong	Laotian	Pakistani	Thai	Vietnamese
1790(a)	------	------	------	------	------	------
1800	------	------	------	------	------	------
1810	------	------	------	------	------	------
1820	------	------	------	------	------	------
1830	------	------	------	------	------	------
1840	------	------	------	------	------	------
1850	------	------	------	------	------	------
1860	------	------	------	------	------	------
1870	------	------	------	------	------	------
1880	------	------	------	------	------	------
1890	------	------	------	------	------	------
1900	------	------	------	------	------	------
1910	------	------	------	------	------	------
1920	------	------	------	------	------	------
1930	------	------	------	------	------	------
1940	------	------	------	------	------	------
1950	------	------	------	------	------	------
1960(b)	------	------	------	------	------	------
1970	------	------	------	------	------	------
1980	0.007%	0.002%	0.02%	0.007%	0.02%	0.1%
1990	0.06%	0.04%	0.06%	0.03%	0.04%	0.2%

a) Conterminous U.S. This excludes Alaska, Hawaii, and all outlying possessions.
b) This includes the 50 States, but excludes all outlying possessions.

SOURCES: All decennial censuses from 1790 to 1990. "Census Bureau Releases 1990 Census Counts on Specific Racial Groups", CB91-215, U.S. Department of Commerce News, Economics and Statistics Administration, Bureau of the Census, Wednesday, June 12, 1991, pages 3 and 4, Table 1, "Race and Hispanic Origin for the United States: 1990 and 1980", Table 2, "Other Asian or Pacific Islander Persons by Groups: 1990 and 1980".

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TABLE 15

Growth Rate of U.S. Population and Selected Ethnic Groups: 1960-1990

Group	1960-90	Group	1970-90	Group	1980-90
Chinese	727%	Hispanic	146%	Asian-Indian	126%
Filipino	1222%	Korean	1032%	Cambodian	819%
Japanese	226%			Hmong	1631%
				Laotian	213%
U.S. overall	39%	U.S. overall	22%	Pakistani	415%
European-American	17%	European-American	10%	Thai	102%
				Vietnamese	135%
				U.S. overall	10%
				European-American	4%

SOURCES: The decennial censuses for 1970, 1980, and 1990, U.S. Census Bureau. Also "Census Bureau Releases 1990 Census Counts on Specific Racial Groups", CB91-215, U.S. Department of Comerce News, Economic and Statistics Administration, Bureau of the Census, Wednesday, June 12, 1991, Pages 3 and 4, Table 1, "Race and Hispanic Origin for the United States: 1990 and 1980", Table 2, "Other Asian or Pacific Islander Persons by Group: 1990 and 1980".

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accounted for just 0.03% to 0.07% of IRCA legalizations, and Irish-Americans for only 0.03% to 0.08%. Iranians, by contrast, 0.09% of the U.S. population, were 0.1% to 0.9% of IRCA legalizations. And although only 0.04% of the U.S. population, Pakistanis had 0.2% to 1% of those amnesties.

The growth of the non-European population in the U.S. is documented in Table 13, "Percentage of Hispanics and Asians to Total U.S. Population: 1790-1990", and Table 14, "Percentage of Major Asian Groups to Total U.S. Population: 1790-1990".

That the phenomenal increase in the demographic size of the non-European population is due to post-1965 immigration policy is shown in Table 15, "Growth of U.S. Population and Selected Ethnic Groups: 1960-1990".

For instance, between 1960 and 1990, the Filipino population increased by 1222%. Between 1970 and 1990, the Hispanic population grew 146%. In just ten years, from 1980 to 1990, the Hmong population rose by 1631%. During each of these periods, the growth rate for the overall U.S. population was only a fraction of the non-European rates. And the growth rate of European-Americans was less than half this national rate.

As the U.S. Congress recasts the U.S. into a multi-ethnic, multi-racial, multi-linguistic, and multi-cultural country (against the wishes of the majority of the U.S. population), it ignores the lessons of history. Multi-ethnic states have historically either disintegrated, like Czechoslovakia, Ethiopia, Pakistan, the U.S.S.R. and Yugoslavia, or been bound together by force of armed dictatorship, as in Burma, China, Indonesia, Iraq, Iran and Sudan. Consequently, there is in America a growing feeling of dissatisfaction with the present demographic changes.

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Examining Performance in State-Owned Organizations

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The plethora of economic difficulties that confronted many state-owned organizations in the late 1970s and early '80s culminated in higher taxes and rekindled taxpayers' interest in scrutinizing the role of the state, especially in its ability to deliver services and allocate resources adequately to meet societal needs. This paper examines the importance of developing indicators to evaluate results of performance. It also examines the possibility of adopting an open balance sheet approach to assess performance through the development of composite performance indicators. It seeks to add to the efforts currently underway by the Government Accounting Standards Board to develop and adopt appropriate performance indicators for state-owned organizations.

In an interesting introductory paragraph to *Reinventing Government,* Osborne and Gaebler (1993) drew attention to *Time* magazine's cover question: "Is Government Dead?" Perhaps, *Time's* question was an appropriate one, especially in the wake of dwindling confidence levels among taxpayers. As the '90s kept rolling, many taxpayers seemed to be saying yes to *Time*'s popular question (Osborne, and Gaebler, 1993). A recent study initiated by President Clinton to review performance in the public sector found that only 20% of Americans trust the government to do the right thing. This was in sharp contrast to 76% in 1963.

Several reasons can be cited to justify the erosion of confidence among citizens. First, many state governments confronted the decade of the '80s with complex financial difficulties. As a result, many were distracted from performing adequately their traditional roles of priority setting, resource mobilization and allocation, including the provision of essential services to citizens.

Second, prior to the '80s, many governments had faced protracted periods of fiscal imbalances which included acute shortages of resources. This culminated in lay-offs, dwindling services and lowered credit ratings for many. It also led to tax revolts by citizens

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who demanded efficient government or more services for less money.

Third, privatization of state assets, and transfers to the private sector of some activities previously performed by governments, appeared not to have resolved many of the problems that confronted them.

Fourth, issues of accountability and transparency became important to taxpayers and the rest of society, as measures of efficiency and effectiveness for evaluating performance. It is this fourth element that is of interest to this paper, which seeks to examine the importance of developing acceptable measures for assessing performance of state-owned organizations. It is the contention of this paper that the uses of acceptable performance indicators to assess results of operations of state-owned organizations will ease access to financial information, foster accountability and throw more light on issues of managerial efficiency and effectiveness.

To discuss this further, the paper is divided into three parts. Part one provides an operational definition for state-owned organizations. It also summarizes the literature on the rationale for 'less than optimal' performance within state-owned organizations. Part two examines other factors that may have contributed to inadequate performance and non-attainment of objectives in some cases. Part three introduces critical elements that can be packaged to develop composite indicators. It also examines how these indicators can be used to address questions of efficiency, effectiveness and accountability.

State-Owned Organizations and Arguments for Nonperformance

(i) State-Owned Organizations

The "public sector" tends to have different boundaries in different contexts. Sometimes, the term is used to include government-owned enterprises trading in genuine markets. For instance, the public sector sometimes refers to publicly-owned utilities, investment and trading companies operating in relatively monopolistic markets. In other limited instances, such organizations operate in unregulated markets and compete in open markets with private firms.

For the purpose of this paper, state-owned organizations are defined to include institutions involved in the delivery of public services such as health, welfare, public safety, education and social

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services. Although the boundaries between public service delivery organizations and public enterprises are becoming blurred as a result of the new movement toward quasi-markets, discussions presented in this paper do not address performance measurement issues of state or privately-owned enterprises operating in markets where performance is assessed by means of mainstream accounting. In effect, state-owned organizations, as used in this paper, do not include organizations which are subject to genuine market forces and market testing.

(ii) Explanations for Less than Optimal Performance

Quite a lot has been written over the past few years about the underlying causes of non-attainment of objectives and inefficiency within state-owned organizations. Although there is no unanimous consensual classification of the contributions made by researchers to the literature on the causes of 'less than optimal performance' in state-owned organizations, positions taken by various contributors can be broadly divided into three groups, namely the X-efficiency group (Leibenstein 1966, 1978); the public choice theorists (Niskanen, 1971; Tullock 1967; Krueger 1974; Orzechowski 1977) and the property right group (Alchian 1965; Demesetz 1967; Pejovich 1969).

(a) The X-Efficiency Group

This group uses the environment in which state-owned organizations operate as the centerpiece of its analysis. Its adherents that those organizations are generally unproductive and inefficient because they are protected by institutional arrangements that do not foster competition and productive efficiency. In essence, competition is a crucial element for fostering productive efficiency, since it provides a basis for comparison, opportunities for choice, and reveals preferences of individuals, thereby forcing firms to come to terms with costs (Stiglizt, 1988). Competition therefore offers consumers choices and assumes that organizations providing better services receive higher income. Because state-owned organizations are shielded from various forms of competition, they are less likely to be innovative, are less risk-taking and more dependent on government protection. Consequently, they are largely unable to produce efficiently and to achieve desired objectives.

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(b) The Public Choice Group

Public choice theorists generally share the view that officials of state-owned organizations pay more attention to the maximization of self-interest gains including the sizes of their agencies, than to the objectives of their operating units (Niskanen, 1971). In their opinion, public managers tend to equate their levels of influence with the sizes of their operating units without due regard to the relationships between outputs and inputs. As a result, factors of production – namely; land, labor and capital – are applied to the production or provision of public services without proper attention being paid to the basic economic principle of efficiency. This tendency ignores the efficient amount of goods and services that can be produced with given technology and resources.

Parkinson (1980) notes that since the relationships between outputs and inputs are unclear, the number of officials in those organizations and the quantity of work to be done are often unrelated to each other. Consequently, production and the provision of goods and services occur below the production possibility curve (Orzechowski, 1977).

(c) The Property Right Group

Issues of ownership and control are at the heart of the arguments presented by the property right movement (Pejovich, 1969; Demesetz 1967; Alchian 65). Proponents of the movement contend that ownership and control within the public sector is spread among citizens, sometimes running into the millions. Owners are mainly taxpayers who are often not well organized and have less interest in scrutinizing what goes on. Since taxpayers are not able to develop cohesive groups quickly to challenge unpopular policy decisions of elected officials, they are unable to influence policy objectives and outcomes, thereby allowing serious errors to go largely undetected and uncorrected.

The property right group also argues that reward systems within state-owned organizations are relatively weak because public managers generally have no incentives to maximize organizational gains and residuals, since they derive no direct benefits from those residuals. On the other hand, because remuneration systems in the private sector are tied to performance indicators, managers have more incentives to be risk takers, innovative, cost conscious and

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maximizers of gains on investments. Within this context, managers of private firms are more likely to adhere to efficiency principles to ultimately maximize gains from the residual value of their firms.

In a nutshell, the lack of incentives for risk-taking on the part of public managers and for partaking in organizational residuals, including the lack of control over management by taxpayers, accounts for the less-than-optimal performance within state-owned organizations.

II. Other Influencing Factors Accounting for Less-than-Optimal Performance

The existing literature on performance measurement in state-owned organizations has been enriched by efforts to address some of the underlying causes of inadequate performance. It appears, however, that past evaluation efforts applied 'single-focus models'[1] that by definition failed to deal with the multiplicity of objectives and outcomes required of state-owned organizations. Besides, the adoption of such models presumed that performance in state-owned organizations could be compared with performance in the private sector using similar gauging criteria. Given the nature of the activities performed by state-owned organizations and the inherent requirements that they meet societal expectations of them, the critical sufficient condition to determine success or failure ought to have been derived from the application of a more comprehensive and exhaustive evaluation framework. Currently, there is no consensus on such a framework for scrutinizing the results of operations of state-owned organizations.

Barton (1979) noted in his model on the causes of bureaucratic problems that the lack of market or science-based performance measures could cause organizations to be inefficient, ineffective, unresponsive and unfair. Barton notes that to ensure accountability in the absence of clear performance measures employees may unnecessarily adhere to rigid rules to protect themselves against penalties and sanctions. A strict adherence to rigid rules can have a

[1] A single focus model is one which examines only one aspect of the operations of an organization or entity. For instance, a single focus model might examine profit levels of organizations when looking at performance.

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negative impact on organizational performance,[2] as measured by the level of efficiency, effectiveness, responsiveness and equity. In addition, a lack of performance measures contributes to weak reward and penalty systems. This reduces job motivation and innovation, which subsequently leads to inefficiency and ineffectiveness, including a lack of response to societal needs and expectations. An abridged version of Barton's model is presented opposite.

The Role of Performance Measures

The above discussion sheds light on the importance of performance indicators in state-owned organizations and shows more clearly the effects of a lack of indicators on performance and subsequently on perceptions and expectations of citizens. More importantly, the absence of such indicators can be a direct cause of less-than-optimal performance in some state-owned organizations. To be able to make informed judgments, organizations need acceptable indicators to reveal the results of operations and to make those outcomes more transparent to taxpayers and other interested parties.

This is not to refute the arguments presented by the X-efficiency, public choice and property right groups. The main flaw in their arguments is the lack of recognition for a different framework for assessing performance in state-owned organizations. For instance, the answer to the question, 'Should similar evaluating criteria be applied to both sectors?' was never properly addressed.

III. Identifying Performance Indicators and an Evaluation Format

It is the contention of this paper that the two sectors are different and that different evaluating frameworks are needed to assess performance. To suggest an appropriate framework for the public sector, I propose the adoption of an Open Balance Sheet concept to performance measurement in state-owned organizations. The Open Balance Sheet (OBS) concept is an integrated, micro-macro model aimed at assessing all aspects of an organization's existence. The OBS model seeks to facilitate the evaluation of organizational goals, objectives, workload, modes of resource acquisition and uses, including information on net impacts on

[2] For further reading, see Barton (*ibid*)

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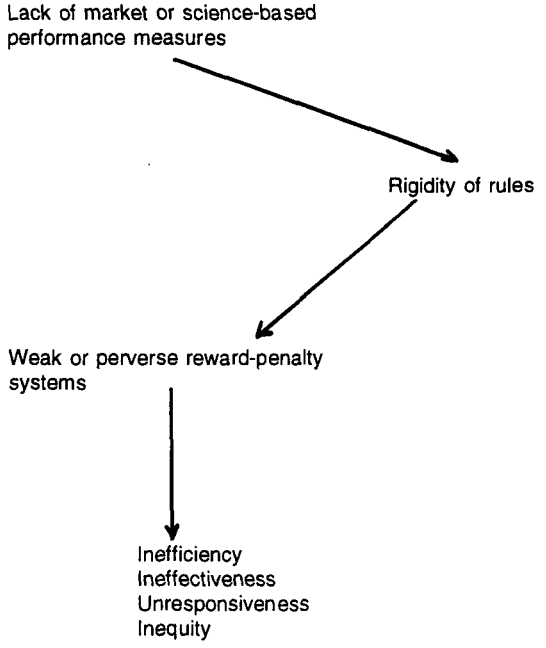
Barton's[3] Abridged Model on Causes of Bureaucratic Problems



[3] Adapted from Allen H. Barton, "A Diagnosis of Bureaucratic Maladies", American Behavioral Scientist, Vol. 22, No. 5, (May/June, 1979), p. 486.

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members of the society. The OBS model focuses on elements considered essential in determining the viability of an organization. More importantly, it combines both micro and macro economic data to assess results of operations, since no single composite measure can adequately communicate the results of providing services (Governmental Accounting Standards Series, #093-5, 1992). The rationale for proposing the OBS concept is to arrive at an integrated and comprehensive evaluation framework aimed at assessing and communicating the results of performance and at the same time at ensuring transparency and accountability.

A. Elements of the OBS

The OBS concept consists of four condensed variables that are referred to as 'Composite Aggregate Values' (CAV). These CAV elements are derivatives of concepts in program evaluation, financial and cost accounting and requirements for technical financial reporting of both public and private sector organizations. The proposed composite aggregate values are divided into 4 categories:

Category 1.-- Contains information on organizational rationale and characteristics of beneficiaries.

Category 2.-- Contains information on organizational performance indicators.

Category 3.-- Contains data on resource needs, sources and uses.

Category 4.-- Contains data on socio-economic impact on society.

Table A shows a summary of the elements of the four categories. In addition, it suggests the types of analyses that can be conducted within each category. For instance, the annual assessment of an organization's performance would integrate qualitative and quantitative information derived from historical data focusing on size, goals, objectives, beneficiaries, resource needs, sources and applications. To be useful to interested parties the data should be provided for a period of three years.

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TABLE A

Open Balance Sheet Concept to SOE Performance Evaluation
Elements of the Composite Assessment Values

Composite Values	Elements of the Composite Value	Type of Analysis & Reporting Formats
1. Organizational Rationale and Characteristics	-Type of Organization -Manpower Needs (size) -Goals & Objectives -Characteristics of clientele including size	Qualitative and Historical Analyses--focusing on type of activity, organizational size, goals, objectives, characteristics of beneficiaries--information should be presented for 3 years[4]
2. Organizational Performance Indices	-Demand Measures -Workload Measures -Efficiency (e.g.) a. input/output ratio b. output/input ratio c. equipment & personnel utilization -Effectiveness and Quality	Efficiency or Productivity, Effectiveness, Quality of Service Analyses; Historical and Comparative analyses of all measures--Information should be presented for at least 3 years
3. Organizational Resource Needs & Applications	-Resource Acquisitions -Resource Applications -Assets & Liabilities -Cash Flows	Financial Accounting and Budget Information including Supplemental Financial Data for a period of 3 years
4. Organizational Socio-Economic Impact Indices	a. Economic Variables -employment -value added -investment b. Social Variables	Macro Effects and Impacts on Socio-Economic Development Goals and Objectives--Information should be for at least 3 years

[4] The basis for extending information provided by the four categories to cover a period of three years is similar to the views held by Millar et al. (1981); Carter, 1983; Neves, Wolf and Benton (1986) Levitt and Joyce (1987) on performance evaluation. They contend that performance monitoring systems should compare performance with previous periods and take into account performance levels of different units including a comparative analysis of targeted performance and actual results.

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C. Discussion of The CAV Elements

The first category describes the organization, its size, goals, objectives, and the characteristics of its clientele or beneficiaries. For instance, a public agency providing social service functions for needy families may be assessed on the basis of its size (in terms of number of employees), goals and objectives, including specific information about its clientele. In this instance, goals should be clearly stated and should be different from objectives. Goals are generally broad and hardly measurable. Objectives on the other hand, are more specific, measurable, time-oriented and quantifiable. It is important to have the objectives of the organization expressed in measurable and quantifiable terms because by stating the objectives in those terms, interested parties could easily measure efficiency and determine effectiveness or achievement of desired results at the end of a specified period. In the past ten years there has been a move toward achieving this in certain institutions, but quantification presents one of the most difficult problems since many objectives may not be readily quantifiable.

The idea of taking information summarized in Category 1 seriously when evaluating performance is contrary to the principle behind the application of 'single focus models'. When 'single focus models' are used, the rationale for the existence of the organization is often ignored. Also, results from the application of 'single focus models' may be deceptive since positive changes in performance may not necessarily be due to a single factor.

Therefore, the importance of the information provided by Category 1 cannot be underestimated. As common as it may sound, most organizations do not have clearly defined goals and objectives. A distinction between goals and objectives is as significant as the distinction between efficiency and effectiveness. It is equally important to specify the nature of the organization's activity – to determine whether the organization produces economic goods and services, social services, protects constitutional rights of citizens or is aimed at increasing the general welfare of citizens. Among other things, Category 1 provides answers to several questions including the following:

(a) Why is the organization in existence and what has been its goal over the past 3 years?

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(b) Has the goal changed over the period in response to emergent societal needs or policies?
(c) What is the size of the organization in terms of its budget and staffing needs?
(d) What has been its size during the past three years?
(e) What are its objectives and who are the beneficiaries?

Answers to these questions can serve the purpose of defending the rationale for creating the organization and for justifying its existence.

The second aspect of the composite aggregate values (Category 2 - organizational performance indices) consists of indicators for assessing adequacy of capacity levels and for gauging achievement of desired objectives, or effectiveness. These indicators may also facilitate the assessment of the level of quality of service provided. The indicators include demand, workload, efficiency, effectiveness and quality measures.

Demand measures "highlight the need for a given public service and indicate the scope and magnitude of a problem .... Workload measures can be developed from demand measures and indicate the amount of work to be performed on a given activity for a specific period of time." (McKinney, 1995).

The definition for efficiency is complex since there are several types. In its simplest form, an efficiency measure is a ratio describing the relationship between outputs and resources. Its purpose is to provide information on how resources are used to achieve desired objectives. However, because of the varied nature of inputs, it is crucial to determine dimensions for each category. Inputs used in some state-owned organizations may include the number of people employed, man-hours paid for, man-hours worked, energy expended, and skills applied, to mention but a few. These inputs are resources expended, including labor, materials, money, and machines, again to mention but a few. Outputs are outcomes and may include goods and services. In other instances, surrogates may be used for outputs. For the purpose of this paper, categories of outputs and inputs for various state-owned enterprises cannot be provided, since classifications may vary from organization to organization and may have to be developed on a case-by-case basis.

The use of productivity measures (sometimes referred to as

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TABLE B
Evaluating Format Using the CAV Concept

NAME OF ORGANIZATION
RESULTS OF OPERATIONS FOR FISCAL YEAR 19X3

CATEGORY 1 INFORMATION[5]

A.1	Institutional Area:	Law Enforcement and Public Safety
A.2	Functional Area:	Police Unit
A.3	Activity Area:	Patrol Division
A.4	Direct Personnel:	(Information on Direct Personnel Only)
A.5	Clientele Base:	Community of 450,000 people
A.6	Annual Budget:	
	(a) Current:	$25,000,000
	(b) Previous year:	$22,000,000 for 19X2
A.7	Period of Existence:	(Should show information on period created.)
A.8	Organizational Goal:	
	Current:	(To be expressed in broad terms showing future directions). For example: To respond to citizens' requests for help under emergency and non-emergency conditions.
A.9	Organizational Objectives:	(To be expressed in measurable, quantifiable terms along sub-activity areas).
	(a) Current:	For example: To respond to 100% of the citizens' calls for help in emergency and non-emergency situations.

[5] Assume for the sake of clarity, under Category 1 only, that our interests lie in examining a Unit within the law enforcement agency of City X.

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TABLE C
CATEGORY 2 INFORMATION - PERFORMANCE INDICES[7]

Patrol Division of a Public Safety Division

B.1	Demand Measures:	(Will describe in detail the size, extent, scope and nature of problem to be solved using quantifiable weights.)
	(a) Current:	For example:
		The number of calls for emergency and non-emergency situations.
	(b) Previous 2 years:	
B.2	Workload Measures:	(Will provide concrete information on how much of the demand measures could be done or was done given current resources or capacity level. Express in quantifiable weights)
	(a) Current:	For example:
		The number of emergency and non-emergency calls responded to.
	(b) Previous 2 years:	
B.3	Efficiency Measures:	(Will provide information on productivity measures)
	(a) Current:	For example:
		The number of service calls responded to per patrol officer.
B.4	Effectiveness Measures:	(Will provide information on effectiveness measures)
	(a) *Current:*	

[7] To maintain brevity and focus, thorough explanations for performance measures will not be presented. For a general overall overview of these measures, see Jerome B. McKinney, Effective Financial Management in Public and Nonprofit Agencies, Westport, Greenwood Press Inc., Connecticut, 1986, Chapter 10.

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TABLE D

CATEGORY 3 INFORMATION -
SOURCES AND USES OF RESOURCES

C.1. Sources of Revenue: State if revenue is from the General Fund or other sources and state those sources, e.g.

(a) percent derived from taxation

(b) percent derived from state government

(c) percent derived from federal government

(For profit oriented funds, revenue sources can be simply stated as coming from operations)

C.2 Uses of Revenue: State by line item, if appropriate. For example:

Item	19X1	19X2	19X3
	xxx	xxx	xxx

C.3 Financial Reports (Historical information to include past 2 years)

C.3.1 Statement of Expenditures, Revenues and Fund Balance or Income Statement if Proprietary or Internal Service Fund.
C.3.2 Cash Flow Statements
C.3.3 Balance Sheet
C.3.4 Statements of Changes in Equity (if appropriate)

C.4 Footnotes to Financial Reports

Notes to financial statements to include:

C.4.1 Descriptions of accounting policies
C.4.2 Descriptions of taxation policies & assumptions
C.4.3 Descriptions of resource allocation policies & priorities
C.4.4 Descriptions of expected liabilities and contingencies
C.5.5 Other information likely to affect fiscal health including changes in population size, economic development outlook, important revenue sources, pension funds, balances on deferred maintenance budgets, etc.

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output efficiency) is not without disadvantages. For instance, by aggregating labor inputs into fewer measures (say, total man-hours utilized), differences in skills and levels of technological development are forsaken. Also, comparing outputs with inputs overlooks the effects of externalities, thus creating distortions. More importantly, restrictions on total output due to limitations imposed by physical dimensions, such as volume, weight and number, are ignored. Within this context, a fixed productivity ratio or output efficiency in the face of increasing inputs may not necessarily be disadvantageous but is, rather, misleading.

Effectiveness measures show the degree to which program objectives have been achieved in terms of quality and indicate the congruence between legislative intent or policy objectives and the actual achievement of the program (McKinney, 1995). Information contained in Category 2 should, therefore, help find answers to the following questions:

(a) Is the organization able to achieve its stated objectives?
(b) Is the current capacity level adequate for achieving desired objectives? An answer to this question could be obtained by comparing demand measures with workload measures. Current demand and workload measures may also be compared with previous periods.
(c) What is the nature of the relationship between output and input?
(d) What is the unit cost of providing service to beneficiaries?
(e) What is the quality of the service being provided?

Not only are answers to the above questions crucial for providing solid information on which to base resource allocation decisions, they also provide a framework for conducting performance and productivity improvement studies. These organizational performance indices are related to the Governmental Accounting Standards Board's (GASB) service efforts and service accomplishments concepts regarding performance measurement and reporting.[3]

[3] By "Service efforts and accomplishments" (SEA), the Governmental Accounting Standards Board means performance measures or measures of effectiveness and efficiency. For further readings, see, "Service Efforts and Accomplishments Reporting: Its Time Has Come", (GASB).

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Category 3 provides information describing how resources were acquired and used. It provides information to measure accountability and may facilitate the assessment of the financial condition or health of the organization, which can be accomplished through a review of the organization's general purpose financial statements. Furthermore, Category 3 requirements enhance the chances of obtaining detailed financial information through the disclosure of essential supplementary financial data, including (a) non-cash and cash equivalent activities; (b) policy changes in accounting estimates and principles; (c) legal obligations and contingencies likely to affect those estimates and cash flows within the next few operating cycles; and (d) unfunded pension liabilities, to mention but a few.

Currently, most state-owned organizations are required to make financial disclosures in their Comprehensive Annual Financial Reports (CAFR), similar to annual reports of private sector companies. Because these reports are not standardized, details needed for making informed judgments are often omitted or inappropriately defined and presented. Relatedly, those statements are unaudited by independent auditors, although mandatory verifications and oversights are provided by state auditors. The suggested format will also help to standardize and enhance the quality of the information provided on assets, liabilities,[4] cash flows, and changes in accounting principles.

Table D presented above shows a summary of the type of information that can be presented under Category 3.

The fourth set of the composite values (Category 4) examines the organization's impacts on certain key socio-economic variables. It assesses the unit's impacts on aggregate economic and social factors such as employment, value added, investment, poverty, crime, and improvement in health status of citizens. Value added is defined to include two elements, namely; wages and salaries and an excess called surplus. The excess represents value added data channelled through other distributive mechanisms within the national economy such as

[4] For instance, the 1974 Employee Retirement Income Security Act (ERISA) requires executives in the private sector to fully fund pension liabilities within a reasonable period. ERISA also requires uniform financial reporting and disclosure by corporate pension plans. State and local politicians are not subject to ERISA. (*Forbes* Magazine, June 5, 1995, page 92)

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TABLE E

CATEGORY 4 INFORMATION
IMPACT MEASURES

D.1 Economic measures

D.1.1 Employment data: (Information on total employment generated including direct and indirect or support staff)

D.1.2 Value added: (Information on social surpluses created by the unit in the forms of wages and salaries, interest payments, contributions to pension funds, to mention but a few.)

D.1.3 Investment: (Information on total investment generated by the unit)

D.2 Social measures (Relative change indices of associated social variables)

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taxes paid to the treasury by the organization (if needed), interest payments on borrowed funds (if any), rent, pension funds, to mention but a few. Table E summarizes the type of information that may be classified under Category 4.

It would appear as if the objectives of the fourth category were similar to those of Category 2. This is not the case and the difference lies in the focus of analysis. The former uses a macro approach (since it focuses on aggregate impacts created) while the latter uses a micro perspective focusing on internal management's ability to achieve desired objectives, utilize resources efficiently and provide quality service or product.

Information provided in category D will make it possible for a variety of analyses focusing on macro economic impacts to be conducted. For instance, impact on employment generation can be computed as a percentage of total employment. Similarly, an analyst interested in examining the contribution to growth of output could apply a variant of the CobbDouglas production function to value added data over an extended period of time. Similar studies could be done using investment and labor data. For practical applications of above methodologies, see Jefferson et al. (1992); Dollar (1990).

D. Summary and Other Merits of the Open Balance Sheet Concept

The idea to use the four categories together to assess performance offers certain clear advantages. The OBS approach provides a comprehensive package for conducting an in-depth assessment organizational performance. Unlike 'single focus models', it provides a holistic methodology for conducting historical analyses. It also facilitates a comparison of performance levels of outfits operating under similar or dissimilar economic, political and social mandates or conditions. The proposed framework also cuts across the dichotomy of traditional governmental operations and business-type activities. Besides, it facilitates the uses of varied analytical methodologies for examining various aspects of an organization's operations. For instance, accountability and efficiency questions can be answered by focusing on financial statements and supplemental disclosures contained in Categories 2 and 3. Impacts on key economic aggregates such as contributions to the growth of output, employment and investment can be assessed through comparative and historical

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analyses of information presented in Category 4. Other sophisticated analyses focusing an organization's net impacts on society can be conducted through benefit-cost analyses or, through the application of variants of Cobb-Douglas production function to analyze value added data and contribution to output.

E. Some Important Questions About the Efficacy of the OBS Concept

It is probably better at this stage to be up-front with likely questions that can be raised from a review of the elements presented in the framework. First, what is to be gained in developing a generic but acceptable framework for assessing performance in state-owned organizations? For instance, history, culture, current level of economic and infrastructure development, extent of political and economic corruption and form of government could render the application of such a framework worthless. In effect, the impacts of such factors may be ignored in a macro-level measure such as the OBS thus, resulting in performance indicators that are meaningless.

While there is some truism in this argument, it is important to note that similar concerns and questions could be raised about frameworks currently used to assess performance in privately-owned organizations. For instance, financial statements used in the private sector to assess performance include the income statement, the balance sheet, the cash flow statement and statements of changes in owners' equity. The standardized nature of the information contained in those statements cuts across regional, political and economic boundaries. At the same time, to properly analyze the financial data in those statements attention is paid to several other extraneous factors which may include but not limited to inflation rate, exchange rates, political stability, form of government, future investment and market prospects, to mention but a few. Although the additional information on the extraneous factors are not provided in the statements to make an informed judgement, extra work is done to obtain those pieces of information.

Therefore, as with any generic macro model, care should be taken when applying the OBS concept to any specific political context since the level of development, form of government, are as important in the evaluation process as are inflation and exchange rate changes, investment prospects, political stability, to mention but a few.

Second, does the OBS concept present enough data on internal

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management? More specifically, is the framework helpful in determining the extent of control management has over its resources (can it invest funds in assets, reward employees, effect savings for future investment, control fees charged, etc.) given the plethora of regulations under which it must operate? In fact, there are no easy answers to that question, since the extent of political control and influence is a function of the level of political maturity of the society in question and the type of government in power, including the philosophy of the ruling political elite. However, information presented in categories 2 and 3, can help explain how resources are acquired and used. That information can also indicate the nature of the relationship between the use of those resources and output. I might add that, to enhance performance in those organizations, efforts must be made to minimize the amount of regulation under which they operate. As noted earlier, rigidity of rules by themselves could lead to a less than optimal performance.

Third, can the OBS concept be useful to compare organizations of nations within categories, i.e., U.S. and Canadian economies, members of the European community or South American economies? Although the tentative answer is yes, no definitive answers could be given in some of the cases. For instance, some of the elements presented in the model can be readily operationalized in some contexts. They can also be used to conduct comparative studies in those contexts. In other contexts, classification and standardization of social variables could be problematic as we move from country to country. It is important to note that some of the variables prescribed by the model are new and currently non-existent and, may have to be developed from the scratch.

Conclusion

In spite of some of the caveats discussed immediately above, the proposed open balance sheet concept seeks to reiterate the need for transparency and complete access to pertinent information on state-owned organizations. This is essential because efficiency and accountability questions can only be properly addressed if sufficient information is generated and made available to make informed judgments. Currently, most state-owned organizations do not use standardized formats to provide information and many are unable to disclose detailed financial data on items such as unfunded pension

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liabilities, balances on deferred maintenance and capital budgets, contingencies, to mention but a few.

In view of the paucity of data on those organizations, the OBS format calls for the development of several composite values. This will require the gathering and creation of integrated data banks on state-owned organizations. The proposed integrated data banks would be similar to what currently exist in the private sector on private firms. There is no doubt that more information exist on most private firms than can be found on public sector institutions. I might add that, the notion of inefficiency and non-attainment of original objectives on the parts of state-owned organizations and the falling confidence levels of citizens in government stem partly from the vacuum created by a lack of information.

There is also the perception that politicians and public administrators make decisions to maximize their self-interests by exploiting the information asymmetry existing between themselves and the taxpayers. An open balance sheet approach to assessment is likely to eliminate that misunderstanding. It would also facilitate access to information required by interested parties to defend the existence of state-owned organizations.

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Intelligence and National Achievement

Editor
Raymond B. Cattell

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Tackling Juvenile Crime

Robert L. Sexton
Pepperdine University

> "Last year a 14 year-old drug runner in the District of Columbia shot and killed three people on the same day. The drug dealer for whom the juvenile worked was convicted of felony murder, but the juvenile served a total of only 26 months in juvenile detention for the three killings. He was back on the street taunting local police before his 17th birthday"
>
> *Washington Post*, July 31, 1991

A vast majority of states in the United States do not gain jurisdiction over young offenders in criminal courts until they reach the age of eighteen (Hamparian, 1987). As a result, the law has little control over juvenile crime and there is much recidivism. This situation could be ameliorated without the use of additional scarce resources by redefining the age at which offenders are treated as adults to, say 16, or lower yet if it is politically feasible. According to Siegel and Senna [1991, p. 418], numerous authorities in the field believe that most youths over the age of 14 can be held accountable for their own actions.

All regulations require enforcement if they are to be effective. While this is a rather obvious point, much research proceeds as if somehow regulations are self-enforcing. The present paper illustrates the advantage of recognizing the role of enforcement costs in the selection of statute stringency. In most contexts, those setting standards (the legislature) rarely consider enforcement efforts, perhaps tacitly assuming full compliance. The failure to consider enforcement costs in statute writing may be regarded as an institutional inefficiency that may be a result of the formal separation from the legislative policing units.

This paper is an extension of analysis by Becker [1968] of optimal trade-offs between fines and real resource-using enforcement efforts. This analysis has particular relevance to statutes, as well, since one may well be able to reduce the number of crimes, especially

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those of a recidivist nature, committed by juveniles by lowering the age at which one defines adults in criminal courts.[1]

According to Becker [1968], heavy enforcement costs are expensive and may not be essential. That is, a policy of high fines and constant or lower enforcement costs could reduce average crime rates. Increased fines are relatively costless as a social solution to the enforcement of criminal behavior. The solution presented in this paper is quite similar, but instead of increased fines as a deterrent, the age at which juveniles would be tried as adults would be lowered.

The Growing Juvenile Crime Problem

A recent report from the U.S. Department of Justice highlights the alarming increase in juvenile crime from 1988-1992 – aggravated assault cases were up 80%; homicides increased 55%; robberies went up 52% and forcible rape cases rose by 27%. In 1990, more than a third of all murders in the United States were committed by individuals under the age of 21. Among 18 year-olds the homicide rate doubled between 1985 and 1992. During that same period the rate for 16 year olds increased 138 percent while homicidal rates for adults declined by 20 percent. Thus, most of the increase in homicides from 1985-1992 was due to a surge in killings by the young. The rates of juvenile crime differ markedly between different ethnic groups, but the principles here discussed would apply equally to juvenile offenders irrespective of ethnic background.

Overall, the American juvenile crime rate is rising. According to Uniform Crime Reports, juvenile arrests were up 11 percent from 1993-1994. Even more disturbing is the fact that while 15 and 16 year olds make up only a small proportion of our population, they commit a large percentage of all violent crime. There are presently 40 million children now under the age of ten, and projections show the number of teenagers increasing by almost 25% by the year 2005. If the current trend continues, violent crimes will reach horrific levels.

The fact that teenagers are committing more violent acts at an earlier age, is undoubtedly responsible for the rising growth in the nation's violent-crime rate. And the age cohort responsible for much

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[1]. For a mathematical treatment of this issue, see Sexton, Graves and Lee "Lowering the Age Requirement for Adult Courts: An Analytical Framework", *Atlantic Economic Journal*, Volume 21, Number 4, December 1993.

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of the recent youth violence is the smallest it has been in recent years. But what can effectively be done about juvenile crime when federal and state governments are under severe budgetary constraints?

Lowering the Age Requirement on Adult Courts

The influence of drugs, drug money, gang related incidents and the ease of acquiring a lethal weapon are all contributing factors to the juvenile crime problem. In the past, we have tried two approaches to reducing the inordinate amount of crime: increasing the budget for law enforcement and imposing more stringent statutes and stiffer penalties on those apprehended. However, one particularly effective way to increase the sentence or fine for juvenile offenses that has not been considered seriously is to reduce the age requirement for adult courts.

According to a 1989 U.S. Department of Justice Report, "The Juvenile Courts' Response to Violent Crimes", only 5 percent of juveniles are tried in the federal system as adults. Lowering the age requirement to say 15 or 16 years of age for "adult" courts might be an effective strategy for all cases. The cost to society of a trial is the same regardless of the age of the criminal, and it is no secret that juvenile courts are considerably more lenient than adult courts. In light of the persistent recidivism among juvenile criminals, it makes sense that if tried as adults they could be given longer sentences and required to spend time in State prisons rather than in juvenile detention centers.

One serious problem in dealing with young offenders is the lack of data regarding serious crimes committed before the age of 18. Under current laws in most states, felonies and misdemeanors committed by minors are not made public. Hence, many apparent first-time offenders appearing in adult courts have in fact committed many serious crimes as juveniles, but the evidence is not available. If offending youths of 16 years and above were tried as adults, their criminal records would be disclosed at an earlier age. This is important because past criminal records have a lot to do with current sentencing. Another advantage of having greater access to juvenile criminal records is that prosecutors can increase the probability of convicting the right person.

The Bureau of Justice Statistics has estimated that 38 percent of

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inmates incarcerated for murder in a state prison in 1986 had a prior juvenile conviction. The same study found that 54 percent of state prisoners convicted of robbery as adults had a juvenile record.

There is also a need to maintain an up-to-date computerized record of criminal history data that is reliable and accurate so that judges can detain dangerous suspects before trial. Lacking this information, serious criminals are too often released pending trial and put back on the streets where they commit fresh crimes while awaiting trial for their previous offense.

Access to the crime records of youthful repeat offenders at an earlier age, and the threat of spending more time in prison, rather than less time in a juvenile detention center, would have a significant deterrent effect and would protect innocent citizens from much violent juvenile crime. Since the vast majority of states do not grant adult jurisdiction over young offenders in criminal courts until the age of 18, it is not surprising that criminal activity is so prevalent among the young, since they pay such a low "price" for it.

Some might be concerned that first time juvenile offenders might be prosecuted to the full extent of the law in adult courts, spend time in state prisons and consequently turn into hardened criminals. However, this is not a compelling argument, since most juvenile crime is committed by repeat juvenile offenders and sentencing for first time juvenile offenders, even if tried in adult courts, would not be the same as that for repeat offenders. It is true that it would be possible to lower the juvenile crime rate by enforcing existing laws more rigorously, but this is unlikely to happen because of the high cost of additional police equipment and a larger police force, and a simple adjustment of the age at which youths may be tried as adults would achieve massive benefits at virtually no additional cost.

Juvenile Courts

The critics of harsher punishments for juveniles may ask, "Why are we attacking the Juvenile Court? Do we really believe that the adult courts will produce better results? Or that youths coming out of the state penitentiary are more likely to become model citizens than kids coming out of a juvenile institution?" We need to look at the facts:

Firstly, the number of juveniles waived to adult courts is relatively small, and until the adult court age is lowered (at the very

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least for repeat juvenile offenders) we will not accurately know the impact that adult courts would have on crime rates. However, the fact is that research appears to confirm that waivers of youths into adult courts for serious offenses increase the certainty of punishment. A study by Donna Martin Hamparian (1987) found that 91% of the waived youths were convicted.

Secondly, the most serious or intractable juveniles are not currently always those who are waived to adult courts. A recent analysis of Florida juveniles that were waived to adult courts revealed that "very few of the juveniles were dangerous or repeat offenders." Rather most were charged with property offenses. These findings are consistent with those of M. A. Bortner (1988), who found that remanded juveniles were not typically dangerous or retractable. Consequently, it sometimes appears, as in the Florida case, that adult courts are lenient on juveniles when these have been arrested for non-violent crimes. It may be assumed that they would be more severe with those arrested for violent crimes, especially if they have already have a serious crime record.

Thirdly, is the fact that most juvenile crime is committed by "chronic offenders". According to Marvin Wolfgang's well-known study of Philadelphia youth's, chronic juvenile offenders committed 65-75 percent of serious crimes (Wolfgang, 1987). Furthermore, the hardcore juvenile offenders committed most of the crimes and were rarely punished. He found that only 14 percent of the first five arrests resulted in punishment. And those few who were imprisoned committed fewer and less serious crimes after their release. This study casts serious doubt on the juvenile justice system's ability to rehabilitate chronic offenders.

And chronic offenders appears to be the serious problem. In 1988, Beck et al.(1988) in a Bureau of Justice Statistics study that focused on state operated juvenile facilities, found that almost 43% of the juveniles detained had been arrested more than 5 times and more than 20 percent had been arrested more than ten times. Again the conclusion from this study confirms that the arrest and juvenile court experience did little to deter repeat offenders. A 1990 study found that youths who spent 14 months in a California Youth Authority institution had a rearrest rate of 70 percent. All of these studies cast serious doubt on the juvenile justice system's ability to rehabilitate chronic offenders.

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The juvenile justice system has their counterpart to adult court plea bargaining. Department of Justice statistics reveal that only sixty percent of all children arrested by the police are actually referred to juvenile courts. The others are either warned, parents are notified or they are referred to social service programs.

If we are to make any progress towards controlling violent juvenile crime, court records on juveniles must be opened. Repeat juvenile offenders should know that the authorities have access to past records and will use that information when handing down their sentences. After all, don't taxpayers have a right to know what their getting for $85,000 a year--the cost of keeping a juvenile offender in a secure facility in the state of New York?

The average cost per year for adult prisoners is $28,000. Most would probably agree that in order to keep repeat juvenile offenders off the streets we need to open juvenile court records, enforce strict laws and apply firm uniform sentencing provisions. This will have two effects. One, keep chronic juvenile offenders in prison for longer periods of time and two, deter others from pursuing careers as criminals.

V. Guns

According to a National Institute of Justice study guns are increasingly involved in juvenile homicides. From 1976 to 1985 a gun was used in roughly 60 percent of juvenile homicides. In 1992 the number of juvenile murders using guns doubled while those homicides without guns remained stable. Statutes that mandate even tighter handgun control and/or automatic waiver to adult courts for juveniles in possession of handguns could help mitigate the rise in handgun use.

VI. Conclusions

For the most part, politicians have ignored strategies that would minimize enforcement costs in the "war against juvenile crime". Since these costs are substantial there is a clear economic advantage in favor of introducing a lower adult court age limit rather than far more costly and less well targeted increases in police budgets. And the recent explosion in teenage violence by many of those less than 18 years of age might lead to a political acceptance of an adult court age limit of 16 years or younger for juvenile offenders.

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Of course, it would be naive to exclusively blame the juvenile justice system for the increases in violent juvenile crime. And any solution to the problem will have to also address issues such as education and family values. Educational vouchers, especially in the inner cities where they are needed the most might be an effective first step. A voucher program could give rise to alternative high school programs that include vocational training. It is time that we look for some fresh, cost-controlled solutions, to handling the growth in juvenile crime.

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Confronting the Growing Problem of Pollution in Asia

Carter Brandon
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During the last decade, the developing countries of Asia, especially East Asia, have experienced dramatic economic growth, ranging from 6% to 10% a year. But at the same time, pollution levels have been increasing even faster – by 10-20% a year in some energy, industry, and transport subsectors. As a result, the real costs of environmental degradation are mounting, taking the form of increasing health costs and mortality, reduced output in resource-based sectors, and irreversible loss of biodiversity and overall environmental quality.

These worrisome trends threaten to undercut the gains of growth both economically and in terms of the quality of life. But these trends can be reversed and the remaining resources protected without sacrificing economic growth. Moreover, whereas a full cost valuation (including health and environmental costs not valued in the marketplace) of all pollution in the big Asian cities is 5-10% of urban GDP, the cost of cleanup is perhaps only 2-3% of GDP.

Causes and Effects

There are a number of reasons for the high rate of environmental degradation in Asia, which now has five of the seven cities in the world with the worst air pollution.

First, rapid urbanization is changing the face of Asia. In East Asia, the rural population has peaked, and all net population growth is taking place in the cities (owing to both migration into the cities and the birth of new cities in what had been villages and towns). By 2015, it is estimated that nearly two billion people, or more than half of the entire population of Asia at that time, will live in cities.

Second, energy use is growing faster than the underlying economies. Electricity consumption – the most rapidly growing part of the energy sector – grew in Korea by 27% a year between 1980

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and 1990, compared with 9% GDP growth. The comparable figures for Malaysia are 17% and 6%; for Indonesia, 12% and 6%; for Nepal, 13% and 5%; and for India, 9% and 6%. The only country whose electricity consumption grew more slowly than the economy during the 1980s was China, where large systemic inefficiencies were reduced.

With energy demand doubling in Asia every 12 years, total emissions of air pollutents, including particulates, acid rain precursors, and carbon dioxide, are also increasing At current rates, for example, Asian countries will produce more sulphur dioxide by 2005 than Europe and America combined. On the more positive side, cleaner thermal power fuels and technologies are becoming more commonplace, and the pollution intensity of particulate emissions and acid rain precursors may be falling

Third, rapid industrialization is leading to increased and more concentrated industrial pollution. Recent World Bank pollution estimates, based on multiplying production data for Asia by US pollution intensities (but not by Asian pollution intensities, which are not known) suggests that, in Indonesia, the Philippines, and Thailand, most toxic and some water-based pollutants are growing three to five times faster than the underlying economies. Air pollutants and biochemical oxygen-demand substances appear to be growing less dramatically but still two to three times faster than the economy. These trends are primarily due to the scale effect of increased industrial output, although in Bangladesh, Indonesia, Pakistan, and the Philippines, there has been stronger growth in seven of the "dirtiest" industrial subsectors than in the six "cleanest" subsectors.

Fourth, the number of vehicles is outpacing economic growth, doubling every three years in Korea and Thailand and every four years in China. Pollution levels are aggravated by the high-polluting characteristics of the large diesel and two-stroke vehicle population and by the fact that Asia has some of the dirtiest fuels in the world—although this is changing in Southeast Asia.

The resultant health and productivity effects of pollution cost billions of dollars a year in the large Asian cities. For example, the annual cost of air pollution is estimated at $1.3 3.1 billion in Bangkok, $1.0 1.6 billion in Kuala Lumpur, and $400 800 million in Jakarta. These figures include the costs assigned to mortality and morbidity. (Additional losses due to congestion, such as fuel spent,

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time wasted, and production delayed, are not included but would add another 20 40%.) In Bangkok and Jakarta, World Bank studies estimate that air pollution alone is responsible for 1,000 to 2,000 deaths a year in each city; 25,000 to 100,000 cases of sickness requiring doctor's visits or hospitalization; and millions to hundreds of millions of "restricted activity" and "respiratory symptom" days.

On top of these direct effects on health, the unquantifiable impact on quality of life is gaining in significance. Populations are increasingly demanding, and expressing their willingness to pay for, reduced air, water, and noise pollution.

What can be done?

The common perception (caused, in part, by a lack of information) is that a direct trade-off exists between environmental protection and economic growth. However, analysis shows that this notion is largely a myth. Economic growth cannot be "blamed" for high pollution. There are numerous examples of both high-growth/lowpollution countries (e.g, Japan) and low-growth/high-pollution countries (e.g, some countries in Eastern Europe). Rather, widespread market failures (lack of markets for environmental "goods" such as clean air or biodiversity) and policy failures (energy subsidies or inadequate property rights) with respect to environmental issues—a phenomenon that Asia shares with most of the world—have allowed these pollution trends to continue. The problem is that the marketplace has tended to underestimate the economic and social costs of pollution and to undervalue the economic and environmental benefits of conserving natural resources.

Economic growth can help. It does this by allowing for more rapid turnover of aging technology, more rapid restructuring of industry and its product mix, greater opportunities for attracting foreign partners and technology, and higher public revenues. Efficient policies would provide the right incentives to shape the resource use and pollution intensity of new investment. By 2010, 85% of industrial investment, 90% of vehicles, and perhaps 70% of power generation in Asia will be new. Because of this "window of opportunity," it is more important and cheaper to ensure that the new capacity adheres to clean environmental standards than it is to focus solely on existing polluters.

Good environmental policies are cost-effective. Policy reforms

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that correct the widespread market and policy failures noted above cost less to implement than the resulting reduction in external economic and social costs. They also lead to a net increase in economic efficiency and social return on investment and provide the right incentives for downstream investment location and technology choices. Many Asian countries have taken major steps in areas where cost-effectiveness is quite clear, such as in stabilizing particulate emissions, reducing lead in gasoline, and abating the pollutants that are threatening public water supplies.

Pollution prevention is far cheaper than cleanup.

This has been amply demonstrated in recent decades by the industrial countries. For example, when Japan began to clean up the environment in the early 1970s, pollution abatement investment surged to up to 25% of all industrial investment. No developing country can afford this type of surge either now or ten years from now. Also, a variety of policy approaches can be used to foster pollution abatement, ranging from "command-and-control" measures, which dictate actual technologies and acceptable levels, to "market-based" instruments, which provide economic incentives for compliance with standards but also allow for greater flexibility and economic efficiency. However, US and European experience has shown the high administrative costs, as well as the relatively low economic efficiency, of the command-andcontrol approach. Developing countries would be better served by more cost-effective, market-oriented policies.

Investments in pollution abatement help the poor. The poor are disproportionately the victims of pollution because they are less buffered than the nonpoor from water pollution, toxic wastes, solid wastes, congestive traffic, and air and noise pollution. Given the economics of land use and land access, the urban poor, in particular, have little alternative to these high exposures. Expenditure on environmental protection will thus reduce far more sickness and death in the poorest neighborhoods than elsewhere. The financing would almost certainly come from sources other than local user fees and would therefore be progressive as well. Contrary to the perception that environmental cleanup is a luxury reserved for the rich, pollution abatement directly and progressively benefits the poor—a vital issue for Asia, which houses one fourth of the world's poor in South Asian

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cities.

How Can This be Financed?

Protecting the environment does not necessarily require large net spending by governments. Removing subsidies to natural resources (e.g, coal, water, and petroleum products) or taxing or auctioning permits for pollution should raise revenues. Even if overall revenue neutrality is maintained, revenues obtained this way involve less distortion to the economy than reliance on current tax bases. Revenue trends of pollution-based taxes tend to go in one of two ways: high revenues due to high pollution or low revenues due to active pollution abatement by polluters. Ultimately, governments want low pollution and low pollution tax revenues, with corresponding investments in clean technologies. But in the meantime, pollution-based taxes, such as on fuel or coal, could generate 2-10% of public revenue requirements in Malaysia, Indonesia, and Thailand and still not tax pollution at the extra cost of the environmental damage incurred.

How much will protecting Asia's environment cost above and beyond projections of "business as usual"? The World Bank estimates that about $38 billion a year by 2000, or 2-3% of regional GDP will be needed – two thirds in East Asia. However, this cost would be more than offset by the additional income generated by good economic management, the future value of conserved resources, and the future value of health, productivity, and amenity benefits.

International donors would probably be able to provide about 5% of the required finances – the World Bank alone has invested $2.2 billion in 1993-95 on controlling pollution in Asia. Governments would be able to finance another 20.0%, leaving a 50-75% financing "gap" for the private sector to fill. But for this to happen, private investment in environmentrelated infrastructure (water treatment, power generation, waste management, and mass transit) will have to be made more profitable. Two important ways that countries can do this are (1) by "commercializing" or even privatizing certain components of infrastructure sectors (e.g, power, water and sanitation, petroleum, and state-owned industrial enterprises); and (2) by raising prices for infrastructure-related services (e.g, energy, water, garbage, sewage, and transport).

The environment is a public good and is not adequately

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protected by the workings of free markets. As a result, governments are the key to correcting these market failures through appropriate interventions. At a time when many governments are downsizing and privatizing services, environmental protection requires that governments play a stronger role than they have in the past. In particular, they need to reform price and tax structures to encourage conservation and pollution abatement; strengthen public institutions charged with environmental policymaking and enforcement; and boost public and media attention as a way of promoting "informal regulation" through informed public participation. Each of these measures is being introduced somewhere in Asia. However, given the need to reverse some of today's rising pollution trends, a more concerted effort is required.

This paper, which was first published in *Finance & Development*, was developed out of research contained in *Toward an Environmental Strategy for Asia*, by Carter Brandon and Ramesh Ramankutty, World Bank Discussion Paper No. 224, 1993

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The Politics of Waste Management

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As a throw-away society with a penchant for consumption, we generate approximately 195 million tons of solid waste a year.[1] The management of these wastes is the responsibility of local governments in accordance with a hierarchical system developed by the U.S. Environmental Protection Agency and adopted by most states.[2] At the top of the hierarchy is waste reduction at its source or, as some environmentalists prefer to call it, pollution prevention. Next in the hierarchy is recycling, recovery and reuse, followed by conversion of waste to energy through combustion or incineration. The use of landfill is the least preferred, due in part to the leachate contamination of ground and surface water, pollution of the air from the stinking odor of decomposing garbage, and explosion of methane gas. Moreover, many of the older landfills are closing down while newer landfills are prohibitively expensive to operate due to the requirements of Sub-Title D of the Resource Conversion and Recovery Act.[3]

No matter how we manage waste, it would be impossible to reduce it to a zero level of pollution. For as long as we continue to live in a culture of consumption, the garbage problem will reach crisis proportion and will pose a challenge to our public policy-making system, our institutions of politics, and our democratic art of

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[1] Most of these wastes are paper (37.5%), glass (6.7%), plastics (8.3%), food (6.7%), metals (13.5%), yard trimmings (17.9%) and others (28.6%). *Recycling Municipal Solid Waste: Facts and Figures: An Environmental Fact Sheet*. EPA/530-SW-91-024, July, 1992.

[2] *Decision-Makers Guide to Solid Waste Management*. EPA/530-SW-89-072, 1989, p. 1. The State of Illinois is one of those states that has adopted the hierarchy system of waste management. See Elliott Zimmerman, *Solid Waste Management Alternatives: Review of Policy Options to Encourage Waste Reduction*. ILENR-PA-88/03. Published by the Illinois Department of Energy and Natural Resources, February 18, 1988. See also Public Act 84319, an Act in Relation to Solid Waste Management in Illinois, September 4, 1986.

[3] For an informative discussion of Sub-Title D of the RCRA, see Robert Steuteville and Nora Goldstein, "The State of Garbage in America," *Biocycle*, May 1993, p. 47.

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governance.[4] How successful are we going to be in coping with that crisis will be determined by three propositions, which I will argue in this paper. First, if state and local governments will continue to play a crucial role in the implementation of the hierarchy system of waste management, Congress must take waste out of the stream of interstate commerce and let it flow into the regulatory system of the states and municipalities. In the absence of congressional legislation expressly authorizing state governments to pass legislation regulating the transportation of out-of-state wastes and empowering local governments to control the flow of wastes to its designated facilities, the courts will nullify state and local government efforts to protect their environments under the dormant commerce clause.

Second, community resistance to siting locally unwanted facilities, which are supposed to reduce the volume of waste or convert them into energy, is not a bankrupt philosophy but a problem in democratic governance. If public hearings, environmental dispute resolution, and compensatory financial incentives fail to help in reaching a decision and in overcoming the siting gridlock, why not let the citizens use direct democracy in making the final decision? Third, the disproportionate concentration of locally unwanted facilities in poor neighborhoods can come to an end not through litigation, legislation or the free market system, but through pollution prevention. Fourth, the high-level nuclear waste disposal program could be more successfully implemented if the relationship between the federal government and state government is less than adversarial. Moreover, the activities of bureaucratic agencies involved in the site selection process for low-level radioactive wastes can contribute to the program success if they work together instead of operating independently from each other. If the states are convinced of the fairness and equity of the site selection process and if the agencies work as a team in finding a suitable site, a delay in the decision process can be avoided.

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[4] A legal commentator said that economic incentives will be more effective than regulation in reducing solid waste. See Peter S. Kenell, "Beyond the Throw-Away Society: An Incentive Approach to Regulating Municipal Solid Waste," *Ecology Law Quarterly*, 17 (1990): 659.

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The Dormant Clause and its Effect on State and Local Waste Management

When the capacity of a state to generate waste is greater than its ability to dispose it, waste will be difficult to manage. The shortage of landfills will exacerbate the disposal problem. Some waste managers have devised ingenious ways of coping with the problem. Others have found piles and piles of garbage to be a lucrative enterprise because there is a mine of gold in it.[5] One of these entrepreneurs is the trucking industry, carrying commercial goods from the midwest to the east. On the return trip, the empty truck is filled with wastes picked up at transfer stations for disposal in landfills in midwestern states. This operation, called backhauling, has proved to be a profitable undertaking both for the truck driver who earns added income on the return trip and the private landfill operator who charges a higher tipping fee for out-of-state waste. What used to be an item with no political or social significance is now an object of regulation by state and local governments. It also has become a subject of competition between local governments and the waste management industry.

State Regulation of Out-of-State Waste

Concerned about the health and safety of its citizens, the State of Indiana addressed the out-of-state waste problem with a backhauling ban. No longer can trucks carrying goods from the state to eastern states bring back wastes picked up from transfer stations in the cities of these states. The ban was challenged in court on constitutional grounds. It was argued by the waste management industry that the ban is impermissible under the interstate commerce clause. In its decision, the court said that out-of-state waste is a commodity of commerce. It is tantamount to economic protectionism and it discriminates against waste.[6] Also concerned about the health

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[5] Pollution controls, such as those dealing with cleaning up toxic waste dumps, are helping create a profitable business atmosphere for waste management firms and consultants. See Bruce Stutz, "Environment: Cleanup," *Atlantic Monthly*, 266 (1990): 46.

[6] "It is undisputed," said the court, "that their business will suffer severe adverse effects from enforcement of the backhaul ban." The court went on to say that "the commerce clause not only gives the power to regulate, through the use of its legislative power, commerce among the states but also limits the states even in the absence of federal

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and safety of their citizens, the States of Oregon and Alabama adopted policies aimed at discouraging the transportation of out-of-state wastes for disposal in dump sites within their borders. Surcharges higher than those imposed on waste generated within these states were imposed. Like its decision on Indiana's backhauling ban, the court scrutinized these surcharges under the negative or dormant commerce clause. In its conclusion, the court said that the states cannot take waste out of the stream of interstate commerce.[7] Since out-of-state waste is a commercial good, only congress can regulate it. So the dormant clause once again makes it impossible for states to control the flow of out-of-state trash into their dump sites.

The efforts of the states in regulating out-of-state waste were defended by Justice Rehnquist in his dissenting opinion. He defended the states' power to regulate out-of-state waste as a legitimate exercise of power to protect its environment, even if it means that the waste management industry may suffer a negative effect. He did not believe that state surcharges on out-of-state waste are unconstitutional. In his view, the states have a right to adopt regulatory policies provided they are "less draconian than an outright ban."[8] The real issue, in his opinion, is environmental protection rather than the dormant clause.

As a result of the majority opinion interpreting the dormant clause as a prohibition against the states, only one option is left. This option is a congressional legislation authorizing the states to adopt

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legislation to burden interstate commerce." *Government Supplies consolidation Services. Inc. vs. Evan Bayh*, et. al. U.S. Circuit Court of Appeals, Seventh District, September 7, 1992. (975 Federal Reporter, 2nd Series).

[7] Oregon's surcharge on out-of-state waste at 62.25 per ton violates the commerce clause. The court found no legitimate reason for the surcharge. In a dissenting opinion, however, Justice Rehnquist countered that the reason for the surcharge is the protection of a clean and healthful environment. *Oregon Waste Systems, Inc. vs. Department of Environmental Quality*, State of Oregon, 128 L Ed 2d 13.

[8] In contrast, the majority of the court found "absolutely no evidence that waste generated outside Alabama is more dangerous than waste generated in Alabama." *Chemical Waste Management Inc., vs. Guy Hunt*, 119 L Ed. 2d 121.

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measures to protect their environments.[9] Such measures could legitimize the use of surcharges to discourage the transportation and disposal of out-of-state wastes similar to the Alabama and Oregon approaches to waste management. Other measures could be more draconian than surcharges such as Indiana's outright ban against backhauling as a means of transporting one state's waste to another. If Congress decides to take waste out of the stream of interstate commerce, it becomes an environmental issue beyond the jurisdiction of the courts. Lest there be any doubt of the state's power to control the flow of out-of-state waste, the authorizing statute must not only show its intent but it must be explicitly granted in no uncertain terms and in crystal-clear language. This appears to be the only way for the states to avoid judicial scrutiny under the dormant commerce clause and go on adopting policies to protect the health and safety of its citizens through a safe, clean and healthful environment.

Flow Control as a Local Measure of Waste Management

Just as state surcharges on out-of-state waste is an infringement of the interstate commerce clause, so are municipal flow control ordinances. A flow control ordinance directs all solid waste to a central recycling center owned and operated by municipalities. Tipping fees levied on these wastes, not real property taxes, are used to pay for the facility. Private waste haulers and transporters object to flow control because it hurts their business and decreases their profit. Accordingly, they have resorted to litigating the matter in court. They argued that flow control is an impediment to the free flow of waste in interstate commerce. The Supreme Court agreed[10]

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[9] One legal commentator proposed congressional legislation to remove the barrier posed by the dormant commerce clause. Ann R Mesnikoff, "Disposing of the Dormant Commerce Clause Barrier: Keeping Waste at Home," *Minnesota Law Review*, 76 (1992): 1221.

[10] Justice Soutter disagreed with the majority opinion and explained his reasons as follows: "the commerce clause was not passed to save the citizens of Clarkstown from themselves. It should not be wielded to prevent them from attacking their local garbage problems with an ordinance that does not discriminate between local and out-of-town participants in the private market for trash disposal services and that is not protectionist in its purpose." *Cardone vs. Clarkstown*, 1994 WL 1835-94 (U.S.N.Y.).

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that it was and added that any attempt of local governments to divert its flow away from interstate commerce would be contrary to the constitution. The court also felt that requiring all wastes to be brought to a municipal transfer station so as to pay a tipping fee before they are disposed of elsewhere is tantamount to economic protectionism. such action, declared the court, is forbidden by the dormant commerce clause. There is only one way in which local governments can flow control waste. Justice O'Connor said that Congress can help by stating clearly, in legislative language, that local governments can manage waste through flow control ordinances." This opinion encouraged local officials to lobby Congress for a municipal flow control law as an amendment to the Resource Conversion and Recovery Act. As a result of their efforts, a number of bills dealing with flow control were introduced in both houses of Congress in 1993.[11] Hearings on these bills were held in each house where representatives of local governments and the waste management industry presented their views. Local officials were unanimous in their support of flow control. They argued that, in the absence of this measure, the court decision in Carbone will force them to use the real property tax to pay for their transfer stations.[12] Private waste management representatives countered by saying that Lt would put them out of business. They also stated that flow control is an undue interference on the free market system.[13] Some

[11] Among these bills were the Flow Control Act of 1994, introduced in the U.S. Senate, and the Municipal Solid Waste Flow Control of 1993, introduced in the House of Representatives.

[12] Municipal officials who testified at the hearing were agreed that flow control would guarantee the flow of waste to their transfer facilities, raise enough revenues to pay for these facilities, and spare the property tax from being used as payments for the annual bill. Municipal Solid Waste Flow Control, Hearing Before the Subcommittee on Transportation and Hazardous Waste, House of Representatives, 103rd Cong., 1st Sess., November 5, 1993, p. 12. See also Flow Control Act of 1994, Hearing Before the Subcommittee on Superfund, Recycling and Solid Waste Management, U.S. Senate, 103rd Cong., 2nd Sess., July 13, 1994. Senate Hearing 103-722, p. 17.

[13] A representative of a waste management industry declared at the hearing on these bills that flow control is like a monopoly power and is destructive of the competitive spirit. Municipal Solid Waste Flow Control and Flow Control Act of 1994, supra. See also James E. McCarthy, Solid Waste: RCRA Reauthorization Issues in the 103rd Congress. CRS

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environmentalists are not too sure if flow control will help in protecting the environment because it could prevent innovation in waste management technology.

The NIMBY Syndrome and Democratic Governance

To prevent solid wastes and toxic wastes from being dumped in localities close to homeowners' properties, the hierarchical system of waste management recommends reduction of the waste through a combustion process. Some cities have found gold in the wasteland of garbage piles by converting them into energy and selling them to utility companies. other cities burn wastes in incinerator facilities and use the heat to produce steam which is sold to industrial plants. The construction of incinerators, regardless of their location, is generally opposed by community residents who consider them as just another form of polluting industry. Property owners living close to the facility think that these facilities will contribute to air pollution through the emission of toxic gases. They are concerned with the ash residue which is believed to be hazardous due to its toxicity. The voyage of the Rhaian Sea, with its cargo of toxic ash from incinerators in Philadelphia, dramatized in vivid terms what happens when waste is burned in the incinerator.[14]

Incinerators are not welcome by residents whose homes are close to them. In contrast, local officials find them to be a boon to economic development because it creates jobs for people in the area and generates much needed revenues to pay for public services. State officials try to help in the siting process through assistance in negotiating with local officials, concerned citizens and interested groups. In spite of incentive packages offered to communities where the facilities are sited, public opposition to their construction does

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Issue Brief, Order Code 1139022, December 28, 1993.

[14] This cargo ship was registered in Bahamas. It left for Panama in August 1986. Its cargo was planned to be used for a road construction project leading to a tourist resort. It never reached its destination because the Panamanian Government, upon learning that the project would have a negative effect on a wetland, stopped the shipment. Whereupon the cargo ship plied from one developing country to another. When it landed port after two years of wandering around the world, the ship was empty. Neither its officers nor its crew would tell what happened to the cargo. See Mary Deery Uva and Jane Bloom, "Exporting Pollution: The International Trade" *Environment*, 31 (1989): 4.

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not fade away. The NIMBY syndrome (Not In My Backyard) creates a gridlock in the decision process and forces the developer to search other localities to build the facility. NIMBY is a problem in democratic governance and calls for alternative approaches to address the siting impasse. One proposal is the establishment of a public authority by the state and empowering it with authority to decide where to site waste management facilities.[15] While this could speed up the siting process and manage the waste consistent with the state of the art and environmental standards, it gives no opportunity for citizens to have an input in the siting process. Another option is the application of impasse resolution techniques used in labor relations into environmental disputes.[16] One of these techniques is negotiation in which the developer of the facility try to find a common ground with the opposition groups in the community and the two agree to settle their differences. The other technique is mediation, which calls for a third party neutral, who will help both proponents and opponents resolve the issues and break the siting gridlock. These techniques have been found to be helpful in resolving labor-management disputes, but they have not always bean successful. There is a false analogy between labor relations problems and environmental problems. Almost all issues in labor-management disputes are negotiable, but this is not the case in environmental disputes. Unlike labor relations issues, environmental issues deal with land-use values including the best use of the land to protect property,

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[15] A public disposal authority established in Houston, Texas, was recommended as a model by two political scientists. Daniel A Mazmanian and David Morrell, "The 'NIMBY Syndrome:' Facility Siting and the Failure of Democratic Discourse." In Norman J. Vig and Michael E. Kraft, eds., *Environmental Policy in the 1990s.* (Washington, DC: CQ Press, 1994, 2nd ed.), p. 245.

[16] The following sources provide an excellent treatment of environmental dispute resolution: *Managing Public DisPutes: A Practical Guide to Handling Conflict, Reaching Agreements.* (San Francisco, CA: Jossey-Bass Publishers, 1988), p. 93 and Lawrence S. Bacow and Michael Wheeler, *Environmental DisPute Resolution,* (New York, NY: Plenum Press, 1984). A good critique of this technique is found in the following sources: Jacqueline Vaughn Switzar, *Environmental Politics: Domestic and Global Dimensions,* (New York, NY: St. Martin's Press, 1994), pp. 92-93; Barry G. Rabe, "The Politics of Environmental Dispute Resolution," *Policy Studies Journal,* 16 (1988): 598; and David Morell and Christopher Magorian, *Siting Hazardous Waste Facilities: Local Opposition and the Myth of Preemption,* (Cambridge, MA: Ballinger Publishing Co., 1982), pp. 127-136.

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promote health and welfare, and enhance social amenities. Furthermore, the goal of the parties in labor disputes is to find an acceptable compromise which each can live with. This is not so, again, in environmental disputes because the two parties have diametrically opposed objectives – the developer wants the facility sited in the community while the opponents want to prevent it at all cost. In these contexts, the prospects of successful resolution look dim because the opposition does not want to compromise. Not even the offer of compensation for the risk they face and the promise of economic development in the community can change their minds.[17]

A third proposal is public participation early in the planning and siting of the waste facility. A public hearing on the proposed facility will give citizens an opportunity to ask questions about the nature of the facility, the source of the wastes that will be disposed there, and the impact of the facility on the environment. A public hearing that allows citizens to speak out and explain their reasons for opposing a waste facility is democracy at work. Nevertheless, it is no more democratic than the plebiscite which citizens have successfully used in three towns in Alberta, Canada, in deciding whether they want a waste facility or not.[18] In many municipalities in the United States the institutions of direct democracy, especially the initiative and the referendum, have proved to be impressive devices of settling local issues such as school bonds, fluoridation, and urban renewal.[19] Critics of direct democracy discount its value due to low voter turnout

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[17] Two political scientists observed that siting disputes involve values and interests that are not negotiable. See David Mazmanian and David Morell, *Beyond Superfund: America's Toxic Policy for the 1990s.* (Boulder, CO: Westview Press, 1992), p. 191.

[18] The following towns in Alberta, Canada, successfully used the plebiscite to resolve the siting issue: Swan Hills, Ryley and Veteran. See Barry G. Rabe, *Beyond NIMBY: Hazardous Waste Sitings in Canada and the United States.* (Washington DC: The Brookings Institution, 1994), p. 68.

[19] Despite its imperfections, the referendum is like a gun behind the door which citizens can use to assert their preferences. See Thomas E. Cronin, *Direct Democracy: The Politics of Initiative, Referendum and Recall.* (Cambridge, MA: Harvard University Press, 1989), pp. vii, ix; David B. Magleby, *Direct Legislation: Voting on Ballot Proposition in the United States.* (Baltimore, MD: Johns Hopkins University Press, 1984), pp. 195, 223 and Charles R. Malone, "High Level Nuclear Waste Disposal: A Perspective on Technocracy and Democracy," *Growth and Chance*, 22 (1991): 74.

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and the possibility of abuse by political manipulation. Yet the critics have overlooked the size of voter turnouts in nonpartisan elections in local government, general elections in municipalities with council manager governments, and primary elections for local, state and national officials.[20] Democratic institutions are imperfect devices because they are made by human beings living in an imperfect world. They are neither fail-safe to those who use them for self-serving ends nor success formulas for those who work pro bono for the public good. If the NIMBY problem must be resolved by democratic methods, decision making by local residents through the medium of the plebiscite or the referendum is the best option. There is nothing more democratic than the ballot box.

Recently the problems of contaminated communities have been elevated to the action agenda of the policy process. President Clinton has issued an Executive Order on environmental justice calling on all federal agencies to address the problem through two existing pieces of legislation: 1) Title VI of the Civil Rights Act of 1964 which prohibits the use of federal funds in activities that have discriminatory consequences, and 2) the Section 102(c), otherwise known as the Environmental Impact Statement process, of the National Environmental Protection Act of 1969. All federal agencies are required by NEPA to prepare a written statement describing any adverse effects of their projects on the environment before they can proceed with their projects. On the legislative side, a number of bills have been introduced to address the environmental justice issue. One of these bills was sponsored by Rep. John Lewis (D, Georgia) calling for a moratorium on waste facility siting until the U.S. Environmental Protection Agency has identified environmental high impact areas and prepared guidelines for future siting waste facilities.[21] Another bill was introduced by Rep. William Clinger (R, Pennsylvania) and by

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[20] Low voter turnouts take place when there are no hot issues, no intense competition, and no mayoral candidate (as in council managed governments). See Eugene C. Lee, *The Politics of NonPartisanship: A Study of California CitY Elections.* (Berkeley, CA: University of California Press, 1960).

[21] The proposed bill explained EHIA as an area of about "100 counties or approximate geographic units with the highest total weight of toxic chemicals present during the course of the most recent 5-year period." See H. B. 2105, The Environmental Justice Act of 1993, 103rd Cong., 1st Sess., May 12, 1993.

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Senator John Glenn (D, Ohio) requiring waste developers to write a community information statement describing the effects of their proposed projects on the economy of the community where they will be built.[22] Although these bills may not satisfy the standards of legal scholars in regards to their adequacy, comprehensiveness and effectiveness, and even though they are not the magic gun that shoots silver bullets on target, they are significant steps designed to respond to the concerns of people living near a toxic dump, incinerator or a landfill where their health and safety are at risk. These proposed legislations are sound alternatives to litigation whose prohibitive cost are hard to bear by the poor.

Not to be outdone, bureaucratic agencies have taken some significant steps, even though they are only incremental at best and symbolic at worst. The Office of Civil Rights in the Department of Justice has broadened the scope and nature of its enforcement activities by including environmental justice as a new area of investigation. It is also designing a special plan of enforcing environment protection laws in neighborhoods of low-income groups. Furthermore, an Office of Environmental Equity was established in 1991 when William Riley was EPA Administrator. A sister unit – the Office of Pollution Prevention and Toxic Pollution – is now providing small grants totalling S42.5 million without matching funds to community groups interested in using "pollution prevention as the preferred approach for addressing environmental justice issues."[23] Not only must citizens in these communities bring pressure to bear on the policy process, but they must also create conditions for genuine change in consumption habits and social values aimed at pollution prevention so that there will be little need for toxic waste

[22] The Clinger-Glenn bill calls for an independent contractor selected by the developer and the local chief executive to study equal distribution of these facilities. See S. B. 533, 103rd Cong., 1st Sess., (1993) and H. B. 495, 103rd Cong., 1st Sess., (1993).

[23] For a more detailed description of this program, see *Environmental Justice Through Pollution Prevention, FY 1995: Grant Guidelines, 1995.* (Washington, DC: U.S. Environmental Protection Agency, 1995).

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dumps.[24]

Conflicts in Nuclear Waste Management

The isolation of high-level nuclear waste in a repository for thousands of years is crucial to the future of nuclear power, the economy and the environment. To this end, the U.S. Department of Energy (DOE) is required by the Nuclear Waste Policy Act of 1982 to select suitable sites where these wastes will be stored, monitored and secured. When the Yucca Mountain in Nevada, north of Las Vegas and east of the Death Valley region in California, was announced by the DOE as the site, the State of Nevada objected to it. Its state scientists said it is the wrong place to build a nuclear waste disposal facility because of the possibilities of future volcanic activities and earthquakes. Furthermore, political leaders criticized the way in which the site was selected. In their judgment, there are several areas in other states that are potential sites, but they were excluded in the selection process.[25] They considered this to be unfair

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[24] Pollution prevention includes practices that reduce, eliminate and avoid waste where they are first produced so that there will be little or no waste to manage. It does not include recycling because it burns oil that pollutes the air. For more discussion of the benefits of pollution prevention, see Joel S. Hirchhorn and Kirsten U. Oldenburg, *Prosperity Without Pollution: The Preventive Strategy for Industry and Consumers*, (New York, NY: Van Nostrand Reinhold, 1991). See also their article, "A New Strategy to Avoid Pollution," *Environment*, 29 (1987): 17. There are limitations to the pollution prevention strategy. There is a cost factor in that it involves heavy investments in treatment equipments and elimination of valuable products and processes that are taken for granted by consumers. See James Lis with Kenneth Chilton Miller, *The Limits of Pollution*, Center for the Study of America Business, Washington University, St. Louis, Missouri, May 1992, and Christopher Boermer and Thomas Lambert, "Environmental Justice Can be Avoided Through Negotiated Compensation," *Environmental Justice*, (San Diego, CA: Greenhaven Press, 1995), p. 87. One critic has written that reducing pollution to zero level is intolerable and another expressed the view that a new industrial policy may be more effective in reducing pollution than waste management policy. Matthew Gandy, *Recycling and the Politics of Urban Waste*, (New York, NY: St. Martin's Press, 1994), p. 112. See also Robert Gottlieb, "U.S. Faces a Crisis on Solid Waste," *Forum for Applied Research and Public Policy*, Spring 1992, p. 45.

[25] Former Nevada Governor Richard Bryan (now U.S. Senator) has criticized the procedure used by the Department of Energy in singling out Yucca Mountain and excluding other possible sites as unfair to and biased against Nevada. He said that Yucca Mountain is not the right place to site a nuclear waste repository because of its "potential for earthquakes...renewed volcanism - and the existence of two aquifers below the site." See

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to their state and contrary to the compromise included in the Nuclear waste Policy Act. In that compromise, there are supposed to be two nuclear waste disposal sites so as to be regionally equitable – one in the west and the other in the east. Moreover, the risks of the proposed repository are high in terms of its environmental impact such as its negative effect on a nearby agricultural valley and two aquifers which are potential sources of water to a growing population in Southern Nevada. As far as the benefits of the repository are concerned, those who will reap most are eastern and midwestern states with nuclear power plants.

As the adversarial relations between the DOE and Nevada slow down the nuclear waste disposal program, conflict between state agencies is also delaying progress in regional programs for the disposal of low-level radioactive wastes. State nuclear agencies, such as the Illinois Department of Nuclear Safety (IDNS), play a major role in the site selection process. Although such an agency has the expertise and experience in nuclear matters, it has no monopoly of knowledge in regards to the integrity of the environment where the facility will be located. The proper location of the facility and its geologic and hydrologic characteristics are beyond its area of competence. State water agencies and state geological bureaucracies are the experts in these areas of earth science. More often than not, there is no teamwork among these agencies. Neither is there coordination nor consultation among them. What happens, as a consequence, is an exercise in futility at best and a waste of time, energy and resources at worst.

Such a scenario is what took place in Illinois when the city of Martinsville (located in Clark County in eastern Illinois on I-70 near the Indiana state line) was selected in 1993 as the site for a nuclear waste facility. After the IDNS successfully crafted an agreement between the city and the developer of the facility, there was no cause for celebration, even though it provided for a lucrative financial package that could have stimulated the areas economic development. The area was found by two state agencies – the state water survey and

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his article, "The Politics and Promises of Nuclear Waste Disposal: The View From Nevada," *Environment*, 29 (1987): 14-17, 32-38. See also Gerald Jacob, *Site Unseen: The Politics of Siting a Nuclear Waste Repository*. (Pittsburgh, PA: University of Pittsburgh Press, 1990), p. 104.

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the state geological survey – to be prone to flooding which could result in water pollution. To prevent this type of administrative confusion from happening again, the state legislature revised the site selection process by creating a commission to achieve program goals.[26]

Conclusion

In an attempt to make a profit of waste, through its collection, transportation and disposal, the waste management industry has successfully used the dormant or negative commerce clause to prevent state governments from taking waste out of the mainstream of interstate commerce. The industry also succeeded in keeping itself in business by having the court prohibit local governments from using flow control to avoid the property tax as a source of revenue to repay municipal bonds borrowed to finance local pollution control facilities. The only hope for state regulation of interstate waste and local government flow control of municipal solid waste is a clear congressional grant of authority, written in explicit statutory language, authorizing the state and local governments to control the collection, shipment, and disposal of waste to make their environment clean and safe.

No one can disagree with the notion that public participation is crucial to democratic governance. Not everyone, however, is in agreement as to the best way of meeting the democratic test. If public participation means citizens deciding for themselves issues that affect their lives, what option is better than the use of democracy including the plebiscite or the referendum? These institutions may be vulnerable to abuse. There is no guarantee that all citizens will be at the polls. All that is needed to meet the requirement of a democratic process is to keep the plebiscite or referendum clean and free.

In regards to the nuclear waste disposal program, which has

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[26] A new siting process was developed after the abandonment of Martinsville as a nuclear waste storage and repository. A seven-member task force was organized to establish siting criteria, survey ten locations and decide which of these locations will be the final site. There is no local veto. Celeste Quin, "Nuclear Neverland," *Illinois Issues*, 19 (1993): 26-27. See also Dan Shomon, Jr., "Nuclear Waste Site Hearings: Overcoming 'Political Science'?" *Illinois Issues*, 17 (1991): 5 and Mary R. English, *Siting Low Level Radioactive Waste Disposal Facilities*, (New York, NY: Quorum Books, 1992), pp. 60, 62.

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been politicized, any attempt to depoliticize it will be pointless. The compromise on regional equity in the Nuclear Waste Policy Act needs to be honored. A midcourse correction (like the way NASA changes the direction of its space vehicles if they deviate from their flight plan) is all that is needed to put the program back into full gear: the selection of an eastern state as another repository to balance the distribution of risks. With respect to interagency conflicts, it is important to note that these controversies are not turf wars between agencies. Rather, they are classic examples of administrative realpolitik. They can be coped with easily by cresting a coordinating mechanism to synchronize agency activities. Coordination is a management practice that has passed the test of time and use. Its application in the nuclear waste management program by state authorities could prevent destructive bureaucratic conflicts and enhance successful program implementation.

There are problems in the implementation of waste management policies. One of these problems deals with decision making under conditions of uncertainty and complexity. Another problem stems from a degeneration of state leadership support to outright opposition due to mistakes made in the implementation of the nuclear waste disposal program.[27] This is not a surprise to those familiar with the public policy process, for it is in the implementation stage where many things will go wrong. Nevertheless, they are neither insurmountable nor impossible to cope with. The hurdles are not that high to jump over, the obstacles are not that big to overcome, and remedial measure" are not that difficult to find. Whatever the implementation problem is all about, it can be fixed, improved and re-invented. To give up trying to search for a better way of managing waste will be unforgivable, at best, and a cop-out, at worst. The waste problem is upon us, and our failure to muddle through the policy process in search of a solution will transform the earth into a

[27] Governors in the western states who had initially supported the nuclear waste disposal program are now opposed to it. John H. Gerves, "The NIMBY Syndrome: Isn't It Inevitable?" *Environment*, 8 (1987): 19.

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wasteland.[28] If we fail to manage waste in an environmentally acceptable way because of our lack of determination and persistence, then waste will manage us.

[28] The concept of wasteland, which the earth will turn to if we fail to manage waste, is addressed by Vice-President Al Gore, Jr. in his book, *Earth In the Balance: Ecology and the Human Spirit*, (Boston, MA: Houghton, Mifflin and Co., 1992), pp. 145-163.

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BOOK REVIEW ARTICLE

The g Factor: The Book and the Controversy

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The *g* Factor:
General Intelligence and its Implications
Christopher Brand
John Wiley & Sons 1996. 253pp. (Withdrawn 1996)

In late March of this year, a book by Christopher Brand titled *The g Factor: General Intelligence and its Implications* appeared in UK bookstores. It was published by John Wiley and Sons, Chichester, England. On April 17, the New York office of John Wiley announced in an unprecedented action that "After careful consideration of the statements made recently by author Christopher Brand (as reported in the British press), as well as some of the views presented in his work ..., we have decided to withdraw the book from publication. (Wiley) does not want to support these views by disseminating them or be associated with a book that makes assertions that we find repellant" (Holden, 1996).

It is very unusual for a publisher to break a contract with an author and announce that the reason for this action is to prevent the dissemination of certain views. The question naturally arises as to what are the views whose dissemination they wish to prevent, and what is the evidence for these views? While Wiley has not been specific as to just what views that it was to prevent the dissemination of, one presumes they have to do with racial differences in intelligence and the implications for economics and for educational policy. Wiley announced (McMillen 1996) that they acted because of

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[1] Professor Miller may be reached for comment at the Department of Economics and Finance, University of New Orleans, or at 504-283-3536.

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"deep ethical beliefs", but what these were was not revealed. One suspects they were that racial differences and eugenics should not be discussed, but that is merely a guess.

Fortunately, the author of this review article had seen the Wiley prepublication publicity planned for the jacket (now available at http://laboratory.psy.ed.ac.uk/DOCS/crb/new.htm) and decided to review the book. He had obtained a copy, and started this review when the book was withdrawn. The fact that this book was withdrawn in an announced attempt to prevent the dissemination of certain ideas will modify somewhat the nature of this review. It will be longer than the usual review so that the reader will have the opportunity to know what Brand had to say. Also references will be provided so that the reader will be able to find the sources for what Brand claimed.

Incidentally, the views contained in Brand's book were based on well established science. Brand's book is not primarily about racial differences or eugenics (the major policy recommendations relate to educational policy). However, since considerable controversy has resulted from Wiley's action, and most commentators have assumed that it was media attention focussing on Brand's observations about the statistical correlation between race and intelligence that prompted Wiley to withdraw the book, a somewhat disproportionate part of this review will be devoted to these aspects.

There are several interesting features of Wiley's actions. In many countries there has been concern about domination of the economy by companies headquartered abroad. This concern has been especially strong with regard to national culture, and the industries that directly affect it, including publishing, motion pictures, broadcasting, etc. Usually a multinational firm tries to leave the impression that key decisions affecting the culture or the economy are made in the country affected.

Wiley's decision is unusual in that it was announced in New York and made in the name of the chief executive, Mr. Ellis, even though the major effect was to cause the withdrawal of a book from British bookstores and to hurt a Scottish author. The very few hours between the adverse publicity in Britain and the decision of Wiley's New York executives to withdraw the book makes it unlikely that anyone in New York had studied the book in detail.

An interesting aspect of the Brand case is that the Scottish Nationalist party, which is understood to believe that Scotland should

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not be ruled in all details from London, might have been expected to take the lead in preventing Scotland from being ruled from America. However, their leader, Mr Alex Salmond, denounced the University of Edinburgh lecturer Brand, and supported the decision of Wiley headquarters in New York to break their contract with Brand, and to remove his book from Scotland's booksellers. That he made this decision shows the power of the taboo against discussing racial differences in intelligence. The author's royalties from books on intelligence will go not to Scotland, but rather add to the royalties of those Americans, such as Herrnstein and Murray, Jensen, Seligman, Rushton, Itzkoff (etc.) whose books say much the same as Brand's, except with more emphasis on race. Nor will a UK publisher get the revenue, or UK workers get the printing jobs. That a Scottish nationalist leader would support a New York decision to withdraw a book by a Scottish author from Scotland's bookstores shows the strength of the taboo against discussing certain topics. As is well known, there is an organized effort in the US and elsewhere to suppress any discussion of racial differences in intelligence (Pearson, 1991).

In response to the furor caused by Brand, there were student protesters on his campus, apparently left wing students who were opposed to the book's discussion of racial differences. These claimed that they were made uncomfortable by lectures in which racial and sexual differences were discussed, and their complaints led to the announcement that an enquiry into Mr. Brand's teaching would be conducted by the University. One suspects this was a result of the prevailing climate favoring political correctness, since Brand had been lecturing at Edinburgh since 1970. Thus the investigation could be interpreted as an effort to penalize him for expressing politically incorrect views. The withdrawal of the book by Wiley has also meant that the debate about Brand's views has had to proceed with only a few having actual access to the book in which his views were expressed (although some copies did reach libraries before it was withdrawn). It is partially to remedy this problem that this summary of the book is provided.

What is Really in this Controversial Book?

Actually, *The g Factor: General Intelligence and its Implications* provides a good, readable discussion of what is known about intel-

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ligence that differs (in most aspects) little from what other authors have said (Herrnstein and Murray,1994, Jensen, 1980, 1981, Seligman, 1992, Rushton, 1995, Itzkoff, 1994, etc). The title of *The g Factor* arises from the psychometricians' use of the letter g to stand for the general factor which can be extracted from performance on a battery of mental performance tests. The book is relatively short, consisting of only four chapters and a postscript.

The first chapter is devoted to discussing what intelligence is, and what psychometricians mean by "*g*". After a brief history of concepts of intelligence and of mental testing, the remarkable fact is presented that performances on most mental tests are correlated. Someone who does well on one test tends to do well on other tests. While this is sometimes described as an unsurprising finding, it is pointed out that the normal expectation is that skills are learned, and time spent on one activity comes at the expense of time spent on other activities. Thus, it is indeed surprising that there is a positive correlation between different skills.

Brand notes that a number of psychologists working on mental abilities have attempted to make their mark by identifying a new mental ability that was uncorrelated with the already-known abilities. So far such attempts have failed. For instance, the Piagetian abilities that children master in the course of development were shown to be abilities well correlated with intelligence.

There is a good discussion of how such a variety of abilities, all of which are correlated, implies the existence of a common factor, g, which is useful for predicting school and job performance. The book deals nicely with the complaint that tests measure only "academic intelligence," pointing out that they provide the only way of predicting success in most occupations, with even noted critics admitting that lawyers, engineers, and chemists virtually never have IQs below 100. Even the military, an organization that is not usually considered to value academic aptitude, still finds tests useful. In one of many great lines in the book (p. 32), Brand says: "By definition, it cannot be 'narrow academic skills' that boost efficiency ratings and remuneration across a wide range of jobs types: grasping capitalist employers and crime-busting police chiefs will surely not be taken in for long by mere scholasticism."

The theory that *g* is merely measuring the social class of the parents is negated by the fact that parental social class has only a

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modest correlation with the educational attainments of the children by their early twenties. (p.35). White (1982) reviewed 100 studies in the US and estimated the correlation at about .22. As Brand puts it, "Evidently parental socioeconomic status (SES) today scarcely correlates with, so simply cannot be influencing, such a crucial variable as educational attainment in young adults."

This chapter discusses the lower performance of certain groups (notably blacks) on tests, drawing the useful distinction between the claim that the tests are a valid measure of ability but that some environmental disadvantage of the group (such as racial prejudice) has actually harmed the group, and the claim that the tests are actually biased against members of the group. Evidence is presented that measures of intelligence predict school performance equally well in both groups. (Scarr-Salapetek, 1971, 1972). Likewise, for adults, IQ tests correlated just as well with job performance in all racial groups. "Actually, the tests slightly over-predict scholastic and workplace performance by blacks and are to that extent unfair to whites and Asians in competition for the same positions." (p. 37). The author of this review has provided in this journal a simple graphical exposition of why this is (Miller, 1994).

The possibility that minority children lack motivation for test taking is disproved by the fact that "black children do perfectly well at laboratory tests that are not correlated with g-such as drawing a straight line, threading beads, and recalling past events."(p. 37). It is pointed out that when particular items are identified by sociologists and educationists as appearing 'culturally unfair' to minorities, black children actually do a little better on these tests (often requiring memory and learning) than on items selected on the basis of being unbiased (and often requiring *g*) (p. 38). At every age and every level of family income, that black children are no worse at the Wechsler vocabulary than they are at block design (Roberts 1971), but the vocabulary is probably more culturally influenced than the ability to copy block designs.

The second chapter of this short book deals with the bases for IQ differences, and in particular the extent to which they are genetic. There is a nice simple discussion of factor analysis (with a numerical example for the centroid method).

There follows a fascinating discussion of the biological correlates of intelligence. While there is a brief mention of Jensen's decision-

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time work, the emphasis is on the inspection-time work which Brand himself pioneered (Brand & Deary, 1982). In inspection-time experiments the subject is shown (often with a tachiscope) two markedly different lines (2.5 inches versus three inches) for a fraction of a second and asked to say which is longer.

The minimum time the subject must see the lines, to determine which is longer, is recorded. This task is simple, and has no obvious relationship to intelligence. However, it does correlate with intelligence (as Brand discovered), and the author argues (p. 73) that overall "results are compatible with an estimate that the true IT/IQ r in the full population (including representative proportions of the young, the elderly and the retarded) would be .-75." The minus sign here indicates that the time required to tell which line is shorter is less for the more intelligent.

Somehow it appears that the brains of the more intelligent function differently than the brains of the less intelligent, even on simple tasks where there is no learning involved. This is consistent with there being a genetic basis for many differences in intelligence.

The third chapter deals with issues of nature and nurture. There is now very little dispute among the experts that a substantial fraction of intelligence differences between people is for genetic reasons. Perhaps the most striking evidence comes from studies of identical twins raised apart. Their IQ's correlated .78. The other twin studies are reviewed, with mention of the study that involved the largest number of monozygotic twins (Lynn & Hattori, 1990) where the correlation for 543 pairs of monozygotic twins was .78 and for 161 pairs of dizygotic twins .49. Like other authors that have reviewed the evidence, Brand finds there is evidence for substantial heritability.

Brand does violate the taboo against drawing (even if weakly) the eugenic implications of the role of genetics in intelligence. He contrasts the implications that might be drawn from a belief in "environmentalism" with those that might result from a belief that genes play a role. He points out (p. 12) that "If children of the future are to receive maximum intellectual and education levels and to be more employable, there would need to be fewer homes where parent and caretakers were un-stimulating, drug-addicted, neglectful, and themselves of low IQ – even assuming large environmental origins of *g*". He states, drawing on the Reed and Reed (1965) collected data on 80,000 descendants of the grandparents of 289 state colony

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patients having IQ's <70 (and without epilepsy), that the overall rate of retardation would have been reduced by 50% if handicapped people themselves had not had children, even though only 88 of the 289 patients were diagnosed has having retardation of definitely genetic origins. What is happening here is that those suffering from retardation of unknown origin are having children who are themselves retarded, which suggests a genetic cause for most such cases.

Brand states that (p. 120) "A eugenic policy focused on IQ must be attractive to any would-be improver of human happiness – whether hereditarian or environmentalist." To those who fear that acknowledgement of genetic influence might lead to state efforts to limit reproduction of certain individuals, he points out (p. 121) that "Acceptance of others' rights is what protects everyone from state manipulation of any kind; and such acceptance follows perhaps a little more easily from a belief in biologically based individual agency than from an environmentalism that stresses the power of society to shape and even 'construct' the individual."

The final chapter of the book is titled "Intelligence in Society", and sets out the policy implications. Since this section appears to be what got the book withdrawn, it will be summarized here, even though doing so risks making the book appear more racial in nature than it really is. The discussion opens with a discussion of Jensen's 1969 article on the failure of Head Start, and his controversial suggestion that the problem was with the lower genetic IQ of black children. Brand comments that (p. 131) "Most educational experts agreed with Jensen and Eysenck that black IQ levels were low (for whatever reason) and that this deficiency helped to explain poor education records and later tendencies to crime and promiscuity. To recognize this deficiency (if not to publicize it) had remained tolerable while the racial differences in IQ seemed changeable." He suggested that recognizing this became intolerable once the failure of early childhood intervention to correct the problem had become apparent and had been documented by Jensen.

Brand notes that (p. 134) three events have blocked off lines of dignified retreat for crusaders against the 'Jensenist heresy.' First, evidence was produced that the tests were as fair and valid for black children as for anyone else (Jensen 1980). Secondly, it had become apparent in America that low IQ's were not generally characteristic of racial and ethnic groups that had experienced discrimination, as

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shown by Jews and Orientals in America. In Britain, Brand reports that although Pakistani immigrants suffer from prejudice and maintain a language, a religion, and a moral code that distance them from their British hosts, their children have always tested as being of normal intelligence (once they have learned English) and that they slightly outperform English children educationally by mid-adolescence (Brand 1987).

Brand points out that "almost the full Afro-American deficit, of some 15 IQ points, could be detected in children as young as three years, born to black mothers who were themselves college educated, married and had no pregnancy complication or health problem (Monte & Fagan, 1988). Medically and socially matched, these young black children had a mean IQ of 91 and the white children tested at 104." As he points out, the matching for socioeconomic status and the use of college educated mothers eliminated most of the environmental theories for racial differences that are commonly proposed. At age three most children have not been in school, or been exposed to much of the world outside of their own family and community (i.e. any societal racial discrimination should not have affected them).

Brand describes the experiences with adoption of black children into the homes of white middle-class homes. This yielded (p. 135) "the usual 8 point IQ gain plus some narrowing of the gap between black and white adoptees at age 7; but by age 17, the black youngsters lagged the white by the usual 12-15 IQ points (Weinburg, Scarr & Waldman, 1992; Lynn, 1994)".

He shows how (p. 136) evidence against the theory that blacks suffer from being in a white society is provided by the failure of blacks to perform conspicuously better in any of the countries or North American cities run by blacks themselves – indeed, they usually performed much worse in these cities.

Having dealt with the controversial topic of black/white differences, the discussion moves on to the practical importance of intelligence. IQ at age five correlated strongly (r=.50) with educational achievements when they were 15 (Brand did not provide the reference for this in the book, but he privately supplied Yule, Gold, & Busch, 1981). It is pointed out that many studies in which IQ is unimportant are ones where the range of abilities is restricted. IQ has seldom correlated better than .30 with college grades, but this is

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because admission is restricted to the better students, and because brighter students take more difficult courses where grading is tougher.

The mental tests that correlated best among themselves (i.e., indexing *g*) turned out to be the main predictors of occupational success and income (Hunter & Hunter, 198;: Schmidt, Ones & Hunter, 1992). A statement in the text that upward inter-generational mobility is strongly predicted only by IQ is expanded on in a footnote where Brand states that difference scores are particularly unreliable (since they are affected by the unreliability from both of the variables that contribute to them). Waller's (1971) finding of a correlation of .29 between father-son IQ differences and father-son socioeconomic differences would imply a "true" correlation of around .50. As an illustration of the ability of IQ to explain outcomes better than socioeconomic status, several results from *The Bell Curve* (Herrnstein & Murray, 1994) relating to the probability of dropping out of high school, probability of white males being unemployed for a month, and probability of white out-of-wedlock mothers going on welfare are graphed.

The discussion then moves to the implications for educational policy of individual differences in intelligence. Brand draws attention to the fact that the more intelligent students are curently forced to spend time in school studying material they have already mastered. In Montreal, 45% of the children know 60% of the school curriculum (in French and math) before the year's work begins (Gagne, 1986), while in a study of 160 gifted English school children, 60% were found to be doing classwork at a level more than four years below their actual attainments (Painter, 1976). He points out that the top 10% of 7 1/2 year-old children are higher in *g* than the bottom 10% of 15 1/2 year-olds (Raven 1989). Brand thus pushes the apparently common sense idea that students should be grouped in accordance with ability.

Brand warns that although modern educational ideology talks about allowing children to progress at their own speed within mixed-ability classes, as a practical matter this cannot be done since the teacher cannot teach at two levels at the same time. The argument that smaller classes would permit better mixed-ability teaching is countered by pointing out that classes of even six would still have virtually the full range of abilities, and that empirical studies regularly show that educational outcomes are unrelated to class size (Walsh,

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1995).

He proposes that the problem of matching children's mental ages be solved by putting the brighter eight-year olds with the nine-year olds, and the slower eight-year olds with the seven-year olds. The usual objection to this is that grade advanced children would not have sufficient maturity, emotional age, or moral development to associate with older children. Brand has dug up an impressive list of studies (p. 162) showing that mental age predicts these better than chronological age. On 11 out of 12 measures of social and emotional adjustment, gifted children in Grade 3 were found to be more advanced than average children in Grade 6 (Lehman & Erdwins, 1981). He claims that there is no sound evidence that grade advancement will yield either social or emotional maladjustment (Silverman, 1989, and Feldhusen, 1991).

Brand proposes that children and parents should be free to pick scholastic programs that suit their abilities. It is surprising that a book advocating such a mild policy should have caused such a furor.

The book closes with an Epilogue speculating on why ideas about intelligence encounter the resistance they do.

Conclusions

How unconventional are the views expressed by Brand, and summarized above? Actually, they differ little from those of other specialists who study intelligence. A survey sent to 1020 experts (Snyderman and Rothman, 1988) showed that there were three times as many who thought the racial differences were both genetic and environmental, as thought it was solely environmental.

Amazingly there are few other fields in which admission that one accepts the mainstream wisdom will get one so unjustifiably condemned.

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BOOK REVIEWS

The Good Life and Its Discontents:
The American Dream in the Age of Entitlement, 1945-1995
by Robert J. Samuelson
Times Books, 1995; 293pp. $25

One anachronism of contemporary American society is that widespread economic anxiety and discontent persists in such an advanced and prosperous country. Some argue that despite the quality of material goods and services, the "American dream" remains for many a "pipe dream" that is increasingly impossible to attain. This fosters cynicism and resentment among the American electorate, and not to mention political irresponsibility on the part of elected officials.

Newsweek columnist Robert Samuelson reflects upon this prevailing trend among the American public in his recent book, *The Good Life and Its Discontents*. Samuelson argues that despite these frustrations on the part of many Americans in their never-ending quest to live as comfortably as possible things could be much worse. The American public enjoys a lifestyle that most people around the world will never come to know. In the words of Raymond Cattell, "poverty is relative. The woman on welfare today lives – in terms of housing, food, transport, medical attention and entertainment – better than a queen in medieval times." Now more than ever, most Americans relish a greater range of comfort and luxury in their daily lives than previous generations of Americans could hardly have imagined.

The Problem of "Entitlesments"

Samuelson covers a vast amount of important material in trying to account for such widespread insecurity and maladjustment. As a pragmatist, he identifies one underlying aspect behind much of the public's unreasonable expectations: entitlements. For more and more Americans, a twentieth-century lifestyle means a large home, new car, generous salaries and bonuses, annual vacations and low cost-health

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coverage. What many would consider to be modern day luxuries, middle class Americans now view as sheer necessities. One of Samuelson's main points is that there are no guarantees in life; everything has its price and nothing comes without risk. The thread of Samuelson's thoughts echoes what General Douglas MacArthur once wrote, "there is no security in this life. There is only opportunity".

The aftermath of the great depression and World War II generated a blind faith in the capacity of government to solve *any* national crisis or social problem on the horizon: poverty programs for the indigent, social security for the elderly, public housing for the homeless and civil rights for the disenfranchised. The hurdles that some considered as obstacles to opportunity were levelled in an effort to create an equal chance with *minimal risk* for all. One's level of affluence was no longer *earned*, but was "*entitled*" simply on the basis of one's own existence.

The "Elusive Quality"

Any fair reading of Samuelson's work cannot ignore his meticulous penchant for detail and lucid insight. One of the few shortcomings of Samuelson's analysis is his brief critique of egalitarianism. What the author identifies as "elusive equality" may in fact fuel much of the resentment and mistrust that Samuelson explores in the rest of his book. The fifteen pages that he devotes to this could easily be expanded into a separate volume. Although Samuelson merely skims the surface of this sensitive subject, his brief analysis is right on the mark.

> A society that is casual in its enthusiasm for rights and is excessively animated by egalitarian ideals ultimately risks becoming engulfed by absurdities. Government is driven by the demands for new and more varied forms of equality and, in the process, risks being overwhelmed by those who feel mistreated for almost any reason.

Again, the author summarizes what can only be described as the incoherent nature of egalitarian entitlements.

> Everyone is ultimately entitled to everything. The great

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> harm – or danger – is to destroy people's faith in government itself, because (quite obviously) everyone cannot have everything. To try to impose equality on a vast panorama of its activities is to overburden government. A sensitivity to important and indefensible inequalities easily slips into the indiscriminate habit of judging most social and political issues in terms of equality. The result is guaranteed failure, because complete equality is a chimera. There has always been inequality and there always will be. Individual talent and temperament are too varied; fortune and circumstance are too fickle. Even if this were not so, could we ever agree upon what constitutes equality?

Samuelson provides some answers to specific issues that he raises: individuals should take more personal responsibility for their well-being and expect less from government services; politicians should not make unreasonable promises; balancing the federal budget is a desirable and practical idea; and the social security program requires reform.

The nature of the workplace, though changed by automation and computer technology, is different in another way, namely an erosion of the work ethic. For some, disenchantment in the workplace is no mere illusion. Individuals are discovering that a shifting set of standards is replacing merit in determining salary bonuses and promotions. In many instances, individual initiative is no longer the determining factor in acquiring either a raise or promotion. Generally, rewards and incentives were given in the past to prompt, efficient, energetic and productive employees. Today, fairness in the workplace is not so much a question of differential earnings or a wage gap as it is one of basic reciprocity. Meritorious pay incentives, if any are so given, should be awarded objectively on the basis of performance rather than given subjectively to those selected on criteria other than performance. The issue of fairness in employee performance evaluations, and the idea of returning to an objective standard for gauging individual achievement (employment testing and evaluations), would more than likely reverse some of the anxiety and discontentment among the American public.

Kevin Lamb

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Rastafari: Roots and Ideology
by Harry Chevannes
Syracuse University Press. 1994. 298 pp. $34.95

Interviews with thirty converts from the 1930s and 1940s are a unique component of Barry Chevannes's book – a sweeping look into the origins and practices of Rastafarianism. From the direct accounts of these early members, the author reconstructs pivotal episodes in Rastafarian history to offer a rare look into a subgroup of Jamaican society whose beliefs took root in the social unrest of the I930s. Here Chevannes traces Rastafarianism back to the prophet Marcus (Mosiah) Garvey, the pan-African advocate of black nationalism – and an African homeland for African-Americans.

Before Garvey, few Jamaicans, who had been brought to the island as slaves and who in the course of time had subsequently come to outnumber the formerly wholly white, British population of Jamaica, held positive attitudes about Africa. The rise of black nationalism, however, provided the movement with its impetus to organize a system of beliefs. A great speaker, Garvey's passionate rhetoric in support of black separatism brought him millions of adherents in the US and elsewhere, and in 1922 he even met with KKK leaders in the US, recognizing that they shared similar aims.

As a spiritual philosophy, Rastafarianism is linked to societies of runaway slaves, or maroons, and derives from both the African Myal religion and the Revivalist Zion churches. Like the revival movement, it embraces the four-hundred-year-old doctrine of repatriation. Rastas believe that they and all Africans who have migrated are but exiles in "Babylon" and are destined to be delivered out of captivity by a return to "Zion" or Africa the land of their ancestors and the seat of Jah Rastafari himself, Haile Selassie I, the former emperor of Ethiopia. The fact that Ethiopia was a totally different part of Africa, with a different population and culture from that from which the black American slaves were drawn is not regarded as in any way relevant.

Author Chevannes explores the movement's early roots among Jamaican blacks. This movement underwent a number of changes as it developed between 1834 and 1961, especially when freed slaves became free peasants. Many eventually moved to cities, where their economic and social prospects were possibly even more unsuited for

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their talents. However, between 1943 and 1960, with black rule imminent in Jamaica, Rastafari gained became an increasingly powerful movement. The author is strongly sympathetic to the Rastafari movement, and sees it in terms of the black versus white struggle. He is a lecturer in the Department of Anthropology at the University of the West Indies in Kingston, and has written extensively on Rastafarianism.

Growing out of the Plan: Chinese Economic Reform 1978-1993
by Barry Naughton
Cambridge University Press. pp 390. 1995

After the disastrous experience of Maoism and centralized Marxist control, China is moving rapidly to become a major, and eventually possibly *the* major, economic power in the world. This dramatic change has been the result of economic reforms that moved China away from a planned economy and toward a market system. The author, Barry Naughton, focuses on industrial and macroeconomic policy, using these as major factors when tracing the new Chinese economic strategy in its entirety.

In addition to providing a thorough guide to the specifics of the reform process, *Growing Out of the Plan* examines changing Chinese policies with respect to the ongoing economic transition, which is based on maintaining elements of the planned economy while concentrating economic growth in the market-oriented segments of the economy, outside the government plan. This "dual track" policy is a feature of Chinese reform that distinguishes it from its counterparts in post-Marxist Eastern Europe and the former Soviet Union.

Naughton argues that the success of the reforms is not the result of carefully plotted strategy. Rather, during some periods, coherence emerged in spite of the policies of Chinese leaders. Despite this, China's jumble of *ad hoc* reforms have added up to a coherent package. Most important for other former Marxist-dominated countries is the fact that the Chinese experience shows that gradual change away from a command economy is feasible. Certainly the Chinese people seem to be responding to their new opportunities more efficiently than those recovering from Marxism in the former Soviet empire.

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The Life of Adam Smith
by Ian Simpson Ross
Oxford University Press. 1995. 492pp. $35.00.

Few would argue that Adam Smith was one of the great minds of the eighteenth century. He is perceived, through his best-known book, *The Wealth of Nations*, as the founder of the science of economics, and his ideas about the free market and the role of the state continue to powerfully affect the modern world. Yet Smith was also a distinguished man of letters and historian.

The Life of Adam Smith, the first full-scale biography of Smith in a hundred years, is a competent account of Smith's life and work, encompassing a career that spanned some of the defining moments in world history, including the American and French Revolutions. Author Ian Simpson Ross examines Smith's family life, education, career, intellectual circle (including David Hume and Francois Quesney), and his contemporaries (such as Immanuel Kant, Voltaire, and Thomas Jefferson). He portrays Smith as a student at a lively Glasgow University and later at a more sedate Oxford; as a freelance lecturer delivering popular classes on rhetoric; an innovative university teacher ("by far the most useful, and therefore," Smith wrote, "by far the happiest and most honorable period of my life"); a tutor traveling abroad with a duke; an acclaimed political economist; a policy advisor to governments during and after the American Revolution; and finally, perhaps most significantly, as a Commissioner of Customs coping with free traders in the smuggling business.

The Wealth of Nations, published in 1776, as the British Parliament was deep in debate about the American colonies, continues to influence modern economic theory throughout the world. In addition to shedding light on the emergence of this seminal work, Ross also highlights Smith's personality, revealing a man of singular generosity of spirit. However, it is perhaps regrettable that economists have ever since tended to concentrate on the means of producing wealth, causing many students to regard control over resources as an end in itself rather than as a tool toward ultimate goals. Control over resources are vital to the attainment of most goals; but we should never forget that it is the use to which we apply wealth that is ultimately most important for the well-being of both this and future generations, not wealth itself.

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Biographical Directory of Flag Rank Soviet and Russian Naval Officers 1917-1996
Frederic N. Smith
Newcomb Publishers, 1307 Dolley Madison Blvd., McLean Va. 22101, 1996 200 pp.

This book is unusual in that there are no books like it in the English language. To gather information on high ranking Russian naval officers requires searching in many places. Thie author has filled the gap for the period 1917-1996.

For those readers completely unacquainted with the Russian Navy, it includes a short history. It also contains a chronology of important dates in Russian history for the 1917-1996 period, plus a chronological listing of Russian Navy commanders for the same period.

Reading the biographies of some of the admirals one learns that a high position is also a dangerous position in the days of Lenin and Stalin. Some commanders were in the job for only a few months. Some were in for a long time as in the case of Admiral Gorshkov, who had the job for nineteen years. One held the job twice – Admiral Nikolay Kuznetsov; once Stalin replaced his commander with a Deputy Chief of the Secret Police (NKVD). In more recent times, several admirals were summarily removed for backing the wrong side in the August 1991 coup attempt in Moscow. A good reference book for military history buffs and veterans of the "cold war."

Rise of the Bourgeoisie, Demise of the Empire: Ottoman Westernization and Social Change
Fatma Müge Göcek
Oxford University Press, New York. 1996, 220 pp.

The momentous changes in Western countries in the eighteenth and nineteenth centuries did not occur in the same manner outside the West. The reasons why have long been the subject of debate. Early explanations have now been largely rejected, but their hidden assumptions persist and are ripe for reevaluation.

In *Rise of the Bourgeoisie, Demise of Empire*, Fatma Müge Göcek

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In *Rise of the Bourgeoisie, Demise of Empire*, Fatma Müge Göcek challenges the contention that the absence of a bourgeoisie caused Ottoman decline. She presents instead a revisionist account of the decline, one that reveals the unique complexities of social change in a non-Western context and proposes a truer paradigm for the collapse of the Ottoman Empire. Faced with defeat in war, the Sultans introduced Western style education, which replaced the former Office-household structure of government by a new bureacracy which was essentially a bourgeiosie. At the same imte, however, commercial trade with the left gave oppostunities for the rise of a new commercial bourgeiosie which largely comprised minority traders, such as Jews, Greeks and the Christian Arabs. This led to friction, many choosing to flee, and those that remained tending to support revolutionary change and the emergence of Atatürk. Westernization thus undermined the Turkish-religious stratification which had hitherto held the empire together, and these factors led ultimately not only to the overthrow of the sultans but – with defeat in World War I – to the collapse of the Turkish empire.

Based on extensive research in Ottoman archival sources, *Rise of the Bourgeoisie, Demise of Empire*, rather than following an imposed Western model, explores the indigenous social processes of Ottoman history. Ottoman imperial decline, Göcek contends, was structured by conditions of war, commerce and an Enlightenment concept of "civilization". It was shaped in particular by the Ottoman social groups of officials, merchants, and intellectuals. And it was subject to the historical rise of Western goods, Western institutions, and Western ideas.

Importantly, focusing on the process of class formation, Göcek offers a comprehensive understanding of the critical role of the emerging Ottoman bourgeoisie in social change. Ottoman social structure, she argues, interacted will the effects of war and commerce with the West to produce a divided bourgeoisie, part commercial, part bureaucratic. Though powerful, the bourgeoisie was weakened by its opposing factions; it was strong enough to challenge the power of the sultan, but too divided in the end to salvage the empire.

Taking full account of both Ottoman internal dynamics and external influences, the book presents a revisionist approach to modernization that may well lead scholars to re-examine historic change in many other complex non-Western contexts.

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